



3 1761 11708234 7





Digitized by the Internet Archive  
in 2023 with funding from  
University of Toronto

<https://archive.org/details/31761117082347>













# GST/HST News

No. 27

Winter 1997

## Contents

Revenue Canada Collections  
Call Centre opens . . . . . 1

Special transitional New  
Housing Rebate. . . . . 1

Special rules for returnable  
containers . . . . . 2

Tax status of salads . . . . . 2

Book rebates . . . . . 3

Reminder: retention and  
destruction of books and  
records . . . . . 3

What's new in publications? . . 4

Summerside Tax Centre  
Toll-free numbers for  
GST/HST account  
enquiries . . . . . 4

Prescribed interest rates . . . . 4

Erratum: Posting  
non-resident security . . . . . 4

## Revenue Canada Collections Call Centre opens

Revenue Canada has opened its new Collections Call Centre, operating from the Ottawa Taxation Centre.

Beginning in October 1997, GST/HST registrants who owe tax or who are behind in filing returns will only receive one letter reminding them of their obligation to pay past due taxes or file outstanding returns. Following this one reminder, registrants can now expect to receive a call from a Call Centre agent if they have not responded to the reminder.

The primary purpose of our call is to offer registrants assistance in

meeting their GST/HST obligations. We want to talk to registrants as soon as possible if there are problems with their accounts. Agents can inform registrants about their filing and remitting requirements, and will be pleased to send them any forms or other resource material they might require. They will also update registrants' records to ensure that the Department has the most current information about their business, and refer registrants to the appropriate technical area for any additional information they might require.

## Special transitional New Housing Rebate

One of the provisions to ease the transition to the HST in Nova Scotia, New Brunswick, and Newfoundland (the "participating provinces") is a rebate that applies to newly constructed or substantially renovated housing.

Prior to April 1, 1997, construction costs of a residential complex in a participating province included a significant amount of provincial retail sales tax. Since sales of most newly-built residences were subject to the HST as of April 1, 1997, new residences constructed or partially

constructed prior to that date, but not sold until after that date, could be subject to double taxation.

Accordingly, where provincial retail sales tax has been paid in a participating province, and certain other conditions are met, builders may be entitled to a transitional rebate for the estimated provincial sales tax for qualifying residential complexes.

Revenue Canada is administering this rebate provision on behalf of the participating provinces. If the conditions are satisfied, the rebate will be provided for in provincial

*Continued on page 2*

The *GST/HST News* is published quarterly and highlights recent developments in the administration of the Goods and Services Tax (GST) and Harmonized Sales Tax (HST), as well as excise taxes and duties. This publication is provided for information purposes only and does not replace law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Revenue Canada tax services office.

Comments or suggestions about the newsletter should be sent to the Editor, *GST/HST News*, Ottawa, Ontario K1A 0L5. **Please note that any changes to your name or address should be directed to your local Revenue Canada tax services offices.**

ISSN 1183-689X



Continued from page 1

legislation and paid by the provincial governments of the participating provinces. It is also subject to the interest and appeal rights of these provinces.

**The claim for a transitional new housing rebate must be filed before January 1, 1998.** Contact your nearest tax services office to obtain the guide, *Provincial Sales Tax*

(PST) *Transitional New Housing Rebate*. This guide contains the required form, GST 493, *Application for Provincial Sales Tax Transitional New Housing Rebate*.

## Special rules for returnable containers

Special streamlined rules apply to supplies of beverages in "returnable containers", which are defined in the *Excise Tax Act* as beverage containers that are ordinarily acquired by consumers when filled and sealed, and returned by consumers, when empty, for a return of all or a portion of a deposit. If the supply of the beverage is zero-rated, the container is not considered to be a returnable container for purposes of these special rules.

The streamlined rules do not apply to beverage manufacturers, such as soft drink bottlers or breweries. These businesses collect and account for the GST/HST on the deposits they charge their customers, and claim input tax credits on the GST/HST they pay when they purchase empty bottles and cans.

The special rules do apply to businesses in subsequent stages of the distribution chain, such as wholesalers, retailers, and restaurants, if the deposit they charge their customers does not exceed the deposit they pay to or collect from their suppliers. In most cases, these businesses are not entitled to claim input tax credits on the tax paid for deposits on the bottles or cans when they purchase beverages. However, this input tax credit restriction is offset by the fact that these businesses also ignore the tax collected from their customers on the deposits when calculating their net tax on their GST/HST return.

The bottler can claim an input tax credit in respect of the GST/HST paid to the retailer or bottle depot on its purchase of the empty container.

### Example: Retail sale to a customer

soft drink	\$1.00
GST	.07
deposit (tax-inclusive) <sup>1</sup>	.40
<b>Total</b>	<b>\$1.47</b>

A supplier charges a retailer \$0.40 (tax-inclusive) for the deposit. Although the retailer is not entitled to claim an input tax credit on the tax paid for the deposit, the retailer ignores the tax included in the \$0.40. The retailer's GST collectible in this example is \$0.07. When the customer returns the empty bottle (to the retailer or bottle depot) for a deposit refund, he or she will receive back the tax-inclusive refundable deposit (i.e., \$0.40). The retailer or bottle depot is not entitled to claim a notional input tax credit on its purchase of the empty container from the customer. The retailer or bottle depot sells the empty bottle back to the bottler for \$0.40 (tax-inclusive), and ignores the tax included in the \$0.40 when calculating net tax.

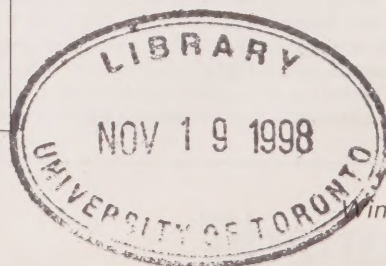
<sup>1</sup>The deposit can be tax-inclusive or tax-extra, but will generally follow the treatment initiated by the manufacturer.

## Tax status of salads

Food containing ingredients, whether mixed or not, such as chopped, shredded, diced, sliced, or pureed vegetables, meat, fish, eggs, or other food **when supplied with a dressing and/or seasoning(s)**, whether or not the dressing is mixed with the other ingredients, is considered to be a "salad" for purposes of determining its GST/HST status. A combination of one ingredient and a dressing or seasoning(s), which is sold or represented as a salad, is also considered to be a salad.

All supplies of salads, except those that are canned or vacuum-sealed, are taxable at 7% (15% in the participating provinces). Generally, if there is no dressing or seasoning applied to the ingredients, and no dressing or seasoning is packaged separately with the ingredients, the package is not considered to be a salad and its supply is zero-rated. However, supplies of fruit salads or gelatin salads are taxable at 7% (15% in the participating provinces), even though they generally do not contain a dressing.

Supplies of salads that are sold in cans or in containers that are vacuum-sealed are zero-rated. Supplies of mixed, cut vegetables that are packaged and promoted as "stir-fry" or "chop suey mixes" are also zero-rated, since they are not considered to be salads.





## Book rebates

### Provincial point-of-sale rebate

Effective April 1, 1997, a provincial "point-of-sale" rebate equal to the entire 8% provincial component of the HST on supplies of qualifying printed books (or updates of printed books), audio recordings (all or substantially all of which are spoken readings of printed books), and bound or unbound printed scriptures of any religion, is available in the participating provinces.

All suppliers, including publishers, wholesalers, distributors, and retailers, only have to collect a net amount of 7% on sales of qualifying products in the participating provinces, after the provincial rebate is deducted.

This rebate is available at any point in the distribution chain, and is not limited to sales made to consumers through retail establishments in the participating provinces. For example, if a publisher in Vancouver mails

qualifying books to a store in a participating province, the supply is considered to be made in the participating province, and the publisher collects only a net amount of 7% (equivalent to the federal component of the HST).

The goods that qualify for the provincial point-of-sale rebate are the same as those that qualify for the federal rebate of the GST or federal component of the HST. Anyone who acquires qualifying books in a participating province can claim the point-of-sale rebate. However, only certain specified persons, including municipalities, school authorities, and universities, may claim the federal rebate.

For more detailed information about qualifying goods, and the persons who are entitled to claim this federal rebate, refer to Technical Information Bulletin (TIB) B-076, *Rebate for Printed Books, Audio Recordings of Printed Books, and Religious Scriptures under the GST/HST*.

### A "gift" constitutes a sale

"Sale", as defined in the *Excise Tax Act*, includes any transfer of property ownership. Therefore, a gift of property, or a transfer of property under a barter transaction, constitutes a sale.

The rebate of the GST or federal component of the HST that is available to certain persons (including municipalities, school authorities, and universities) who acquire printed books, audio recordings of printed books, or printed versions of religious scriptures, is not available if those persons acquire the goods to sell them. Therefore, if these specified persons acquire printed books, audio recordings of printed books, or printed versions of religious scriptures to give them away, there is no rebate of the GST or the federal component of the HST paid or payable on the acquisition of these goods.

## Reminder: retention and destruction of books and records

The *Excise Tax Act*, as well as the *Income Tax Act*, require that books and records, with their related accounts and vouchers, must be retained for a minimum of six years from the end of the year to which they relate.

The Department recognizes the following as appropriate methods for keeping books and records of account:

- traditional books of account with supporting source documents;
- records maintained in a machine-sensible data medium that can be related back to the supporting source documents and that are supported by a system capable of producing an accessible and readable copy;

- microfilm reproductions of books and records of account; or
- electronic images of books and records of account.

Microfilm and electronic images of books and records must be produced, controlled, and maintained in accordance with the National Standard of Canada (CAN/CGSB-72.11-93) as outlined in the publication entitled *Microfilm and Electronic Images as Documentary Evidence*. This publication is available from the Canadian General Standards Board Sales Centre, at (819) 956-0425, for Ottawa-area calls, or 1-800-665-2472, from elsewhere in Canada. Other information on maintaining books and records is available in the

GST/HST Memorandum Series, Chapters 15.1, *General Requirements for Books and Records*, and 15.2, *Computerized Records*, GST Memorandum 400-1-2, *Documentary Requirements*, as well as Income Tax Information Circular 78-10R2, *Books and Records Retention/Destruction* and its special release dated February 10, 1995.

In certain circumstances, books and records may be destroyed prior to the six-year retention period if written permission is granted by the Minister of National Revenue. To obtain this permission, persons must apply in writing to the Director of their local tax services office.



## What's new in publications?

### Guides

*GST/HST General Rebate Application*

*Provincial Sales Tax Transitional New Housing Rebate*  
(HST – Participating Provinces)

*Guide for Canadian Small Businesses* – provides an overview of tax-related and customs information, including information on setting up a business, the GST/HST, excise taxes and duties, importing/exporting, payroll deductions, and income tax. Available at Revenue Canada tax services offices, Canada Business Service Centres, and on the Internet (<http://www.rc.gc.ca>).

### GST/HST Memoranda Series

Section 4.3 *Basic Groceries*

Section 19.1 *Real Property and the GST/HST*

### Excise Taxes and Special Levies Memoranda Series

Section 6.2 *Returns and Payments*

### Forms

GST 498(E) – *Application for Rebate of Goods and Services Tax (GST)/ Harmonized Sales Tax (HST) for Foreign Representatives, Diplomatic Missions, Consular Posts, International Organizations, or Visiting Forces Units*

### Prescribed interest rates

**G**ST/HST interest and penalty compound daily. For excise duty, penalty compounds monthly, and interest compounds daily. For all other taxes noted below, penalties and interest are calculated monthly for each month or part-month in which a balance remains. The total amount payable is based on the total tax, penalties, and interest outstanding. Prescribed interest rates are adjusted every calendar quarter.

	GST/HST, FST, Air Transportation Tax, Excise Tax (annualized rates)		Excise Duty (annualized rates)	
	Interest* %	Penalty %	Interest %	Penalty %
<b>1997</b>				
January 1 – March 31	3.6499	6.0	6.0	6.0
April 1 – June 30	2.4066	6.0	7.0	6.0
July 1 – September 30	3.5707	6.0	6.0	6.0
October 1 – Dec. 31	3.5707	6.0	6.0	6.0

\*To calculate interest for GST/HST purposes only, divide the annualized rate by 365 and apply it daily.

### Summerside Tax Centre Toll-free numbers for GST/HST account enquiries

Refund cheques, remittances,  
account status

1-800-461-3567

Errors on previously  
filed returns

1-800-265-1115

Status of specific rebate claims

1-800-565-9353

### Erratum: Posting non-resident security

In the Summer 1997 edition of the *GST/HST News* (No. 25), the article on posting non-resident security stated: "If a non-resident registrant's net tax **either** remitted **or** refunded is more than \$3,000, **and** the non-resident's taxable supplies made in Canada (including zero-rated supplies) exceed \$100,000 annually, the amount of security required will be 50% of the net tax amount, with a minimum of \$5,000 and a maximum of \$1,000,000."

This sentence should read "If a non-resident registrant's net tax **either** remitted **or** refunded is more than \$3,000, **or** the non-resident's taxable supplies made in Canada (including zero-rated supplies) exceed \$100,000 annually . . . ."



Printed in Canada





041  
NR  
-G77

Government  
Publication

# GST/HST News

No. 28

Spring 1998

## Contents

New draft GST/HST regulations and legislative amendments . . . . .	1
Virtual Customs Office . . . . .	6
Are you expecting a GST/HST refund? . . . . .	6
Combined Annual Business Return program cancelled . . .	6
Supplies made through coin-operated devices . . . . .	7
Zero-rated supplies made to non-residents . . . . .	7
Prescribed interest rates . . . . .	7
What's new in publications? . . .	8
The Hamilton Business Window has moved . . . . .	8
Summerside Tax Centre toll-free numbers for GST/HST account enquiries . . . . .	8

## New draft GST/HST regulations and legislative amendments

The following proposed amendments to the Goods and Services Tax (GST)/Harmonized Sales Tax (HST) legislation and regulations were announced by the Department of Finance on November 26, 1997.

Due to space constraints, not all of the proposed amendments are explained in the *GST/HST News*. Amendments not covered in detail are listed at the end of this section.

**Note:** Nova Scotia, New Brunswick, and Newfoundland are referred to throughout this newsletter as the "participating provinces".

### Retail issues

#### Disclosure of tax

Under the existing legislation, where the GST/HST is shown on invoices, receipts, or written agreements for a taxable supply, the total amount of tax payable for the supply **or** the total of the rates at which tax is payable (i.e., 7% or 15%) is to be shown, as opposed to indicating, for example, the 7% and 8% components of the HST separately.

An amendment proposes that, if a registrant meets disclosure requirements prescribed by regulation (e.g., by using acceptable signs that indicate that the amount payable includes the GST/HST), the tax does **not** have to be indicated on invoices, receipts, or written agreements. This is consistent with the application of the *Excise Tax Act* prior to implementation of the HST.

However, if a registrant chooses to indicate GST/HST on invoices, receipts, or written agreements, as well as to use acceptable signs, the total amount of tax payable or the total of the rates at which tax is payable must be indicated on the invoices, receipts, or agreements.

**Exception:** If a supplier has credited or rebated a recipient the 8% provincial component of the HST at point of sale in relation to the supply of qualifying printed books or other eligible property, the supplier is not required to indicate the provincial component of the HST that has been credited or rebated in disclosing the tax for the supply.

The *GST/HST News* is published quarterly and highlights recent developments in the administration of the Goods and Services Tax (GST) and Harmonized Sales Tax (HST), as well as excise taxes and duties. This publication is provided for information purposes only and does not replace law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Revenue Canada tax services office.

Comments or suggestions about the newsletter should be sent to the Editor, *GST/HST News*, Ottawa, Ontario K1A 0L5. Please note that any changes to your name or address should be directed to your local Revenue Canada tax services office, and not to the Editor.

ISSN 1183-689X



## Promotional allowances for goods

A previously proposed amendment is clarified to provide that if a promotional allowance paid, credited or allowed by one registrant to another for goods is given in the form of a credit against the price of property or a service for which tax has already been charged or collected, the supplier is considered to have reduced the price of the property or service.

As a result, the supplier can choose whether or not to adjust, refund, or credit the tax calculated on the price reduction. If the supplier chooses not to adjust, refund, or credit the tax, there are no GST/HST consequences. However, if the supplier does adjust, refund, or credit the tax, a credit or debit note must be issued that complies with information requirements prescribed under the *Credit Note and Debit Note Information (GST/HST) Regulations*.

If the promotional allowance is provided as a discount on or credit against the price of property or a service for which tax has **not** been charged or collected, consideration for that supply is automatically deemed to be the amount net of the discount or credit.

If the promotional allowance is paid otherwise than as a discount on or credit against the price of property or a service, the allowance is considered to be a rebate, and the payer may indicate that a portion of the allowance is in respect of tax.

This amendment is proposed to apply to amounts paid or credited, or allowed as a discount on or credit against the price of property or a service after March 1997, in return for the promotion of goods.

## Self-supply rules for multiple unit residential complexes

Effective November 26, 1997, builders who give possession of a residential unit in a multiple unit residential complex (e.g., an apartment building), under an arrangement where the building or part of the building in which the unit is located is sold, but the related land is leased, are required to account for tax on the fair market value of the land and building.

Builders must also account for tax on the fair market value of an addition to an existing multiple unit residential complex on leased land, at the later of the day any unit in the addition is first occupied, and the day the addition is substantially (i.e., 90% or more) completed.

These amendments apply in any case where a builder of a multiple unit residential complex or an addition to such a complex gives possession of a residential unit or addition on or after November 26, 1997, unless possession is given under a written agreement of sale entered into before November 26, 1997.

## Seizures and repossessions

### Seizure, repossession, or transfer of zero-rated property

Under the current rules, a creditor who has seized or repossessed property, or an insurer to whom property has been transferred, is deemed to have received a supply of the property and to have paid tax in certain circumstances, and is entitled to claim an input tax credit.

The tax deemed to have been paid is calculated at 7% or 15%, depending on where the property is situated or where it is supplied by the creditor or insurer (i.e., in a participating or non-participating province). This produces an unintended result if the creditor or insurer could have purchased the property on a zero-rated basis (e.g., zero-rated farm equipment).

Effective April 1, 1997, proposed amendments provide that no tax will be considered to have been paid in situations where the supply deemed to have been received by a creditor or insurer is zero-rated.

### Lease of property that was seized, repossessed, or transferred

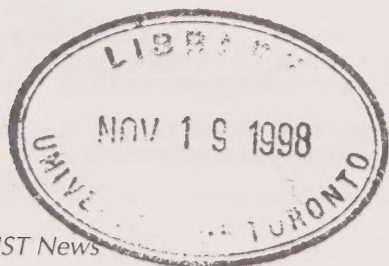
A creditor or insurer may claim a one-time notional input tax credit based on the fair market value of personal property that is seized, repossessed, or transferred in certain circumstances and where the property is subsequently supplied by way of lease, licence, or similar arrangement.

Effective April 1, 1997, proposed amendments provide that the amount of the credit (i.e., whether 7% or 15%) will be determined on the basis of where the supply of the property is made for the first lease interval (i.e., in a participating or non-participating province).

## Property and casualty insurers: prescribed amounts of tax and claiming input tax credits

Currently, selected listed financial institutions are not entitled to claim input tax credits for the 8% provincial component of the HST, since generally they deduct these amounts in the calculation of net tax using the special attribution method. However, these institutions cannot deduct the 8% provincial component of the HST payable on inputs related to prescribed amounts (e.g., the settlement of property and casualty insurance claims).

A proposed amendment, effective April 1, 1997, will remove the input tax credit restriction for selected listed financial institutions with respect to certain prescribed amounts. For example, input tax credits may be claimed for tax payable in respect of inputs related





to the settlement of claims under a policy held by a non-resident person, where the insured risks are ordinarily situated outside Canada.

## **Public service bodies**

### **Streamlined Accounting Method for charities**

For purposes of determining the net tax of charities using the simplified net tax calculation for reporting periods ending after November 26, 1997, an amendment is proposed to exclude from the definition of specified supply any supplies made by a charity acting as an agent or auctioneer, and that make an election (under the special agency or auctioneer rules) to account for tax.

As a result, 100% of the tax collectible by a charity in respect of these supplies must be included in the net tax calculation. For purposes of determining the net tax calculation for reporting periods after 1996, proposed amendments will allow charities to claim input tax credits when, in certain circumstances, they act as an agent in making a supply, and in other circumstances where the property supplied by the charities is deemed to be sold by an auctioneer.

### **Direct cost exemption**

#### Amended definition

For supplies made after November 26, 1997, the definition of "direct cost" will be amended to exclude any portion of provincial tax, duty, or fee that is recovered or recoverable by a public service body. This amendment will lower the direct cost of a supply. However, the Quebec Sales Tax (QST) will not be excluded from this definition in cases where the public service body is a QST registrant at the time the QST becomes payable.

This amendment also applies to supplies made on or before November 26, 1997 for which consideration becomes due after 1996 in all cases where the public service body charged or collected tax in respect of the supply. However, for supplies invoiced between January 1, 1997, and April 1, 1997, the exclusion from the definition of "direct cost" for recoverable provincial tax (without the exception for QST) applies pursuant to previous amendments.

#### Amendments to exempting provisions

For all supplies for which consideration becomes due after 1996, amendments are proposed to ensure that it is the amount of direct cost less both the QST and GST/HST that is compared to the tax-excluded selling price, to determine if that price exceeds the exemption threshold for direct cost where a supplier has treated a supply as taxable.

### **Rebates for public service bodies in participating provinces**

Effective April 1, 1997, an amendment is proposed that limits rebates of the 8% provincial component of the HST to charities or qualifying non-profit organizations resident in the participating provinces that are not hospital or school authorities, universities, public colleges, or municipalities (i.e., selected public service bodies). However, all selected public service bodies resident in Nova Scotia, as well as municipalities of New Brunswick, will remain eligible for this rebate.

Effective April 1, 1997, a proposed amendment will enable selected public service bodies in Newfoundland and Labrador that are also charities, public institutions, or qualifying non-profit organizations, to claim a rebate equal to 50% of the 8% provincial component of the HST (in addition to their entitlement to the federal

component). The rebate of the provincial component is limited to inputs related to exempt activities undertaken otherwise than in the course of fulfilling their responsibilities as a local authority or operating a hospital, school, university, or public college.

### **Osteopathic and speech therapy services**

The current exemption from the GST/HST for osteopathic and speech therapy services was scheduled to be repealed, effective January 1, 1998. An amendment is proposed to continue this exemption for osteopathic services.

A further amendment proposes to defer until January 1, 1999, the removal of speech therapy services from the exemption. In the event these services become regulated in five provinces by January 1, 1999, the exemption will continue after that date.

## **Regulations**

### ***Credit Note and Debit Note Information (GST/HST) Regulations***

- amendments extend regulations to debit notes, effective January 1, 1991, and notes issued by intermediaries, effective for supplies made after April 23, 1996;
- certain credit or debit notes relating to patronage dividends issued after March 1997 require only a disclosure of the portion of the dividend that represents an adjustment, refund, or credit of tax;
- streamlined information requirements for credit or debit notes issued after March 1997 (other than for above-noted patronage dividends):
  - in all cases, the amount of the tax adjustment, refund, or credit for which a note is issued may be shown separately;



- if the total includes an amount by which both the consideration and tax in respect of one or more supplies are reduced, there must be a statement indicating that the total includes a tax adjustment, refund, or credit; and
- effective for notes issued on or after February 1, 1998, the note must indicate the total of the rates (i.e., 7% or 15%) of tax applicable to each supply for which tax has been reduced, and a breakdown of the total amounts related to supplies taxable at 7% or 15%.

### ***Streamlined Accounting (GST) Regulations***

Certain remittance rates have been revised for registrants using the Quick Method and Special Quick Method of accounting. The new rates supersede those published in the May 5, 1997 notice entitled *New Draft GST/HST Regulations and Legislative Amendments*.

#### Rate changes for registrants using the Quick Method

- registrants making taxable supplies through a permanent establishment in a non-participating province will calculate net tax by using remittance rates of either **9.3%** (formerly 10.5%) or **11.6%** (formerly 13%) on supplies made in the participating provinces, effective April 1, 1997; and
- registrants making taxable supplies through a permanent establishment in a participating province will calculate net tax by:
  - using a remittance rate of either **5%** (formerly 5.4%) or **10%** (formerly 10.7%) on supplies made in the participating provinces, effective April 1, 1997; and

- using a remittance rate of **3.2%** (formerly 2.7%) on supplies made in the non-participating provinces, for reporting periods beginning after November 26, 1997.

Generally, registrants acquiring goods for resale will use the lower Quick Method rates in each category. The other Quick Method remittance rates have not changed.

Registrants eligible to use the 0% remittance rate are entitled to a credit. This credit is reduced to **2.1%** (formerly 2.6%) of their taxable supplies for reporting periods beginning after November 26, 1997.

#### Quick Method changes for auctioneers acting as agent for another person

Changes have been made to the Quick Method to address other amendments made to the rules concerning agents and auctioneers. Persons who are using the Quick Method should contact their local Revenue Canada tax services office for detailed information regarding these changes.

### ***Additional amendments***

Further amendments pertain to:

- transitional rules for leases of motor vehicles in the participating provinces;
- transitional rules for subscription payments;
- discount coupons;
- patronage dividends;
- deductions from net tax relating to new housing rebates for non-registrants;
- property used by creditors or insurers;
- property seized, repossessed, or transferred before April 1, 2000;

- property shipped to a non-participating province for export;
- corporate take-overs;
- passenger vehicles leased by selected listed financial institutions;
- rebate for selected listed financial institutions that are individuals;
- adjustment to net tax by selected listed financial institutions;
- employee and partner rebates;
- provincial product taxes;
- foreign conventions;
- *Amalgamations and Windings-Up Continuation (GST) Regulations*;
- *Artists' Representatives (GST) Regulations*;
- *Deduction for Provincial Rebate (GST/HST) Regulations*;
- *Federal Book Rebate (GST/HST) Regulations*;
- *Input Tax Credit (GST/HST) Information Regulations*;
- *Mail and Courier Imports (GST) Regulations*;
- *Place of Supply (GST/HST) Regulations* (for the release of imported goods);
- *Public Service Body Rebate (GST) Regulations*;
- *Publications Supplied by a Non-Resident Registrant Regulations*;
- *Taxes, Duties and Fees (GST) Regulations*; and
- *Value of Imported Goods (GST) Regulations*.



## Rate changes for registrants using the Special Quick Method

Public service body acting in the capacity as a:	Location of permanent establishment or entity through which the supply is made	Supply made in	Applicable Special Quick Method rate	Effective date
<b>health care facility or qualifying non-profit organization (and not a selected public service body)</b>	Nova Scotia, New Brunswick, or Newfoundland	participating province non-participating province	10% 3.2%	April 1, 1997 November 27, 1997
	non-participating provinces	participating province non-participating province	11.6% 5%	April 1, 1997 January 1, 1991
<b>school authority</b>	Nova Scotia	participating province non-participating province	12% 5.4%	April 1, 1997 November 27, 1997
	New Brunswick, Newfoundland	participating province non-participating province	10.7% 4.1%	November 27, 1997 November 27, 1997
	non-participating provinces	participating province non-participating province	12.5% 6%	April 1, 1997 January 1, 1991
<b>university or public college</b>  • where vending machine sales in retail establishments account for at least 25% of the total annual consideration for taxable supplies* plus tax collected or collectible on taxable supplies**  • where vending machine sales in retail establishments account for less than 25% of the total annual consideration for taxable supplies* plus tax collected or collectible on taxable supplies**	Nova Scotia	participating province non-participating province	11.2% 4.5%	April 1, 1997 November 27, 1997
	New Brunswick, Newfoundland	participating province non-participating province	9.1% 2.3%	November 27, 1997 November 27, 1997
	non-participating province	participating province non-participating province	12.2% 5.6%	April 1, 1997 January 1, 1991
	Nova Scotia	participating province non-participating province	12% 5.4%	April 1, 1997 November 27, 1997
	New Brunswick, Newfoundland	participating province non-participating province	10.8% 4.1%	November 27, 1997 November 27, 1997
	non-participating provinces	participating province non-participating province	12.5% 6%	April 1, 1997 January 1, 1991
<b>hospital authority</b>	Nova Scotia	participating province non-participating province	12.4% 5.8%	April 1, 1997 November 27, 1997
	New Brunswick, Newfoundland	participating province non-participating province	10.6% 3.9%	November 27, 1997 November 27, 1997
	non-participating provinces	participating province non-participating province	12.7% 6.2%	April 1, 1997 January 1, 1991
<b>municipality</b>	Nova Scotia,	participating province non-participating province	11.6% 5%	April 1, 1997 November 27, 1997
	New Brunswick Newfoundland	participating province non-participating province	10.5% 3.8%	April 1, 1997 November 27, 1997
	non-participating provinces	participating province non-participating province	12.4% 5.8%	April 1, 1997 January 1, 1991

\* other than designated supplies

\*\* excluding real property, capital assets, sales to provincial governments, and zero-rated supplies

**Note:** Where the effective date indicated is November 27, 1997, this means for reporting periods beginning on or after that date.



## Virtual Customs Office

The Virtual Customs Office (VCO) is a Revenue Canada Internet site that provides an easy-access electronic customs service 7 days a week, 24 hours a day, to small business importers.

The VCO contains general information on importing and exporting, including the *Customs Act*; the *Customs Tariff*, with tariff treatments and duty rates; an exchange rate converter for 20 countries; selected D-Memoranda, Customs Notices and News Releases; the *B3 Canada Customs Coding Form* and *Certificate of Origin*; and connections to other government Internet, foreign customs administration, and freight forwarder sites. Selected forms, such as the *Certificate of Origin* and

the *Canada B2 Adjustment Request*, are currently available for printing and completion by hand.

The VCO is being implemented in phases to allow for further client consultation. In future, small business importers may be able to complete their customs transactions using the Internet, including paying duties and obtaining the release of imported goods from their own offices. This spring, it is anticipated that small business importers will be able to complete and print a B3 accounting document using the VCO, which they can submit to their local Customs office.

You can access the VCO on the Internet at <http://www.rc.gc.ca/vco>.

## Are you expecting a GST/HST refund?

We strive to process and issue your GST/HST refund within 21 days of the day you file your GST/HST return at a Revenue Canada tax services office. If this is not possible, and you are filed up to date, we will pay you interest on the refund, where applicable.

There are, however, two electronic options available to you which can improve the speed with which you receive your refund.

### Direct deposit

You can choose to have your refund payments deposited in your account at any bank, trust company, credit union or other registered financial institution in Canada using direct deposit. This ensures that your refund is in your account on the date it is issued. To register for direct deposit, call the Business Window at any tax services office, or retrieve a copy of form GST 469, *GST/HST Direct Deposit Request*, from Revenue Canada's Internet site, at <http://www.rc.gc.ca>.

### Electronic Data Interchange

Electronic Data Interchange (EDI) technology allows you to file your GST/HST return and remittance information electronically. This will expedite the processing of your return, and subsequent payment of any refund amount owing to you. You do not have to forward a paper copy of your GST/HST return to us when you file electronically.

Detailed information on the GST/HST Electronic Filing and Remitting Program is available in the booklet entitled *GST/HST Electronic Filing and Remitting – Information and Application for Registrants*. As well, *GST/HST Electronic Filing and Remitting: Products & Services Tested*, identifies the financial institutions, third party service providers, and software packages that participate in the program. To receive copies, contact your local tax services office, or access the Internet at <http://www.rc.gc.ca/gsthst-edi>.

## Combined Annual Business Return Program cancelled

The Combined Annual Business Return (CABR) program was designed to allow small businesses that meet certain criteria to file their annual GST/HST returns and T1 individual income tax returns simultaneously.

A review of the CABR initiative, which included consultation with the Small Business Advisory Committee, was conducted to assess the program's continued feasibility, efficiency and cost-effectiveness. Last year, over 264,000 CABR packages were mailed out by Revenue Canada. Of this, 16,000 returns were filed, but only 11,000 were determined to be eligible.

The review determined that, while CABR may facilitate the transfer of funds between the T1 and GST/HST revenues, substantial manual processing is involved. The program has also added to the paper burden of our clients by requiring the completion of a reconciliation form, in addition to the T1 and GST/HST returns. This burden is only somewhat alleviated by the possible elimination of one payment because of the CABR transfer.

Due to the processing costs associated with the program, as well as the limited interest shown by the small business community in choosing the CABR option, the program has been discontinued.



## Supplies made through coin-operated devices

Following a recent decision by the Tax Court of Canada, certain persons who make supplies through coin-operated devices may be able to apply for a rebate. However, only mechanical coin-operated devices that are designed to accept a single 25¢ coin or less as the total consideration for the supply dispensed from the device are affected (e.g., certain gumball-dispensing devices). These devices are designed so that they cannot accept more than one coin, nor different types of coins, as the total consideration for the supply, and cannot be modified to do otherwise.

In 1996, the *Excise Tax Act* was amended to provide that the tax payable on supplies made after April 23, 1996 through these

devices is equal to zero. However, in *Distribution Lévesque Vending (1986) Ltée v. Queen* (Informal Procedure), the court determined that these devices could not collect the tax and was of the view that the amendment should have been made retroactive to January 1, 1991. Revenue Canada has decided not to pursue the matter further.

Persons may apply for a rebate of amounts they have remitted as net tax as a result of having accounted for tax on supplies made through the affected devices by filing form GST 189, *General Application for Rebate of Goods and Services Tax (GST)/Harmonized Sales Tax (HST)*. To receive the rebate, the application must be filed within four years after the day the amount

was remitted.

Persons who have been assessed already for a period during which they made supplies through the affected devices cannot file a rebate application. Instead, these persons should contact their local tax services office and request a reassessment for the period in question. A reassessment can be made provided that not more than four years have passed following the later of the due date of the return and the day the return was filed.

For further information, or to obtain copies of form GST 189, contact your local tax services office.

## Zero-rated supplies made to non-residents

If you supply goods to customers who are non-residents of Canada, these supplies may be zero-rated if all of the conditions of the relevant zero-rating export provisions of the *Excise Tax Act* are met. Refer to Section 4.5.2, *Exports – Tangible Personal Property*, of the GST/HST Memoranda series, for information on zero-rated supplies made to non-residents. This publication is available at any Revenue Canada tax services office.

Remember that, as a supplier, you are responsible for determining whether the zero-rating provisions apply to a particular transaction. If you make a supply that is zero-rated because it is made to a non-resident, you must obtain, and maintain on file, sufficient documentary evidence confirming that your customer is a non-resident and that the goods have been exported from Canada. Information on evidence of exportation and non-residency is also contained in Section 4.5.2.

## Prescribed interest rates

GST/HST interest and penalty compound daily. For excise duty, penalty compounds monthly, and interest compounds daily. For all other taxes noted below, penalties and interest are calculated monthly for each month or part-month in which a balance remains. The total amount payable is based on the total tax, penalties, and interest outstanding. Prescribed interest rates are adjusted every calendar quarter.

	GST/HST, FST, Air Transportation Tax, Excise Tax (annualized rates)		Excise Duty (annualized rates)	
	Interest*	Penalty	Interest	Penalty
1998	%	%	%	%
January 1 – March 31	3.6499	6.0	6.0	6.0

\*To calculate interest for GST/HST purposes only, divide the annualized rate by 365 and apply it daily.



## What's new in publications?

### GST/HST Guides

*GST/HST Electronic Filing and Remitting – Information and Application for Registrants (RC4079E)*

### GST/HST Memoranda Series

- Section 4.5.1 *Exports – Determining Residence Status*
- Section 4.5.2 *Exports – Tangible Personal Property*
- Section 19.1.1 *Special Rules for Real Property under the HST*
- Section 19.2.2 *Residential Real Property – Rentals*
- Section 19.3.8 *New Housing Rebates and the HST*

### Excise Taxes and Special Levies Memoranda Series – Air Transportation Tax

- Section 5.6 *Regularly Scheduled Flights Within the Taxation Area*
- Section 5.7 *Regularly Scheduled Flights Outside the Taxation Area*

## The Hamilton Business Window has moved

The Business Window at the Hamilton tax services office has moved to:

National Revenue Building  
1st floor, 150 Main Street West  
Hamilton ON L8P 1H8

Telephone: (905) 570-7260  
1-800-959-5525

Fax: (905) 572-2338

## Summerside Tax Centre toll-free numbers for GST/HST account enquiries

Refund cheques, remittances,  
account status, errors on  
previously filed returns

1-800-461-3567

Status of specific rebate claims

1-800-565-9353



Printed in Canada





CAI  
NR  
-G77

# GST/HST News

No. 29

Summer 1998

## Contents

*GST/HST changes announced  
in the February 24, 1998  
federal budget. . . . . 1*

*Registration of a partner . . . . . 3*

*Repeal of the Air  
Transportation Tax . . . . . 3*

*Rebate for purchases of  
specially-equipped motor  
vehicles. . . . . 3*

*How the GST/HST applies  
to hot or cold cooked  
lobster. . . . . 3*

*Tax status of frozen shrimp  
rings or shrimp boats. . . . . 3*

*Most frequently asked  
questions on the  
GST/HST. . . . . 4*

*What's new in  
publications? . . . . . 8*

*Prescribed interest rates . . . . . 8*

*Summerside Tax Centre  
Toll-free numbers for  
GST/HST account  
enquiries. . . . . 8*

## GST/HST changes announced in the February 24, 1998 federal budget

The recent federal budget proposes the following changes to the GST/HST.

**Note:** Nova Scotia, New Brunswick, and Newfoundland are referred to throughout this newsletter as the "participating provinces".

### Foreign conventions, short-term accommodation, filing Visitor Rebate claims

- Organizers or sponsors of foreign conventions in Canada will be entitled to a rebate of 50% of the GST/HST paid on food, beverages, and catering services related to the conventions. This applies to foreign conventions held after February 24, 1998, where all admissions are sold after that date.
- For campsites made available after June 1998, the GST/HST paid on campsite fees, including hookup charges, is eligible for a rebate. Campsites not included in a tour package are eligible for a rebate of the actual tax paid or \$1 a night, where the campsites are made available on or after July 1, 1998. Similarly, the formula for calculating the rebate

for tour packages, based on a flat amount per night, will be amended to allow a rebate of \$1 per night for which a campsite is included in the tour package. This applies for any accommodation in Canada that is part of a tour package (whether short-term accommodation or a campsite) made available on or after July 1, 1998.

- The monthly and quarterly filing restrictions for visitor rebate claims have been eliminated.
- Revenue Canada will implement enhanced verification procedures for rebate claims filed for goods exported from Canada, which will require the inspection of goods at land border crossings, airports, and other exit points. This is consistent with procedures in other countries with valued-added tax systems similar to the GST/HST that refund the tax on purchases made by non-residents. More information on the proposed procedures will be announced after further consultation with affected industry members.

The *GST/HST News* is published quarterly and highlights recent developments in the administration of the Goods and Services Tax (GST) and Harmonized Sales Tax (HST), as well as excise taxes and duties. This publication is provided for information purposes only and does not replace law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Revenue Canada tax services office.

Comments or suggestions about the newsletter should be sent to the Editor, *GST/HST News*, Ottawa, Ontario K1A 0L5. Please note that any changes to your name or address should be directed to your local Revenue Canada tax services offices, and not to the Editor.

ISSN 1183-689X



## GST/HST changes announced in the February 24, 1998 federal budget

### Services provided by designated charities

Most services provided by charities are exempt from the GST/HST. It is proposed that, where one of a charity's main activities is the provision of care or employment assistance to disabled individuals, and where the charity also provides services that are performed on a regular basis by such individuals, it may apply for designation to have all of its services provided to registrants subject to the GST/HST. This will allow the charity to claim input tax credits.

The designation will not apply to such services when supplied to a public sector body or a board, commission, or other body established by a government or municipality. These particular services, and most other services supplied by charities, will remain exempt under current provisions. As well, a public institution (a charity that is also a school authority, public college, university, hospital authority, or local authority determined to be a municipality) is not eligible for designation.

Once designated, the charity may use the Special Quick Method of accounting to calculate its net tax. The simplified net tax calculation normally used by charities will not apply to designated charities.

These measures will apply to supplies made by designated charities effective the first day of a reporting period beginning after February 24, 1998, as specified in the Notice of Designation.

### Charities operating bottle return depots

It is proposed that a charity operating a bottle return depot be allowed to claim a net tax deduction or refund equal to 7% (15% in the participating provinces) of the portion of any deposit refunded in respect of a returned container on or after April 1, 1998, provided that the depot refunds both the deposit and the amount of the tax deduction or refund to the person returning the container.

### Respite care

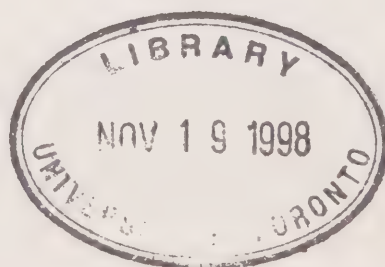
It is proposed that the exemption for services provided by nursing homes and home care services that are government-funded be extended to all businesses that provide care and supervision of individuals who have limited capacity for self-supervision and self-care due to an infirmity or disability. This includes temporary daytime or overnight care.

This applies to such services provided principally at the supplier's establishment, effective after February 24, 1998. The change-of-use rules that might otherwise apply due to the change in tax status of a person supplying these services will not apply for the reporting period that includes February 25, 1998.

### Direct sellers

Under the GST/HST, direct sellers can apply to use an alternate collection method for their sales through independent sales contractors. It is proposed that:

- effective for amounts that become due after February 24, 1998 and were not paid on or before that day, GST/HST will not apply to shipping, handling, or order processing fees related to either the price of a direct seller's exclusive products or cost of sales aids, where the fees are charged by a direct seller (or an approved distributor) to an independent sales contractor, or between independent sales contractors; and
- for sales made after February 24, 1998, relief will be provided for certain bad debts of independent sales contractors. This will enable a direct seller (or an approved distributor) to claim a deduction from net tax where the direct seller or distributor has paid or credited the amount of the deduction to the independent sales contractor who has written off the bad debt. The deduction calculation and treatment of any subsequent recovery of the bad debt will be similar to the rules that apply under the general GST/HST provisions relating to bad debts.





## Registration of a partner

There has been some question as to whether a partner (other than an individual) that is a member of a partnership may register voluntarily for the GST/HST in situations where the partner is not engaged in any commercial activity in Canada other than as a member of the partnership. If registered for the GST/HST, that partner would be eligible to claim input tax credits for the GST/HST incurred on expenditures relating to the commercial activities of the partnership.

The Department will permit a partner (other than an individual) to voluntarily register for GST/HST purposes effective April 24, 1996, notwithstanding that the partner is not engaged in any commercial activity in Canada other than that engaged in as a member of the partnership.

A corporate partner that was not registered before April 24, 1996 will be permitted to voluntarily register retroactively and to claim input tax credits within statutory time limits. A corporate partner that was registered before April 24, 1996, but was not engaged in any commercial activity in Canada other than that engaged in as a member of the partnership, may remain registered for the period before April 24, 1996.

A non-corporate partner (other than an individual) will be permitted to voluntarily register retroactively and to claim input tax credits within statutory time limits, but not earlier than April 24, 1996.

Voluntary registration on a retroactive basis will be limited to applications for registration received on or before October 24, 1998.

## How the GST/HST applies to hot or cold cooked lobster

There are two common scenarios with respect to the sale of cooked lobster. In some cases, grocery stores or lobster pounds sell cooked lobster cold, where the lobster is kept in a refrigerated display counter. In other cases, grocery stores or lobster pounds sell live lobsters, but the lobster is cooked while the customer waits. The customer then leaves the establishment with hot cooked lobster for immediate consumption.

In the first scenario, where the cooked lobster is sold cold, the sale is zero-rated. This is consistent

with the tax treatment of cooked foods (e.g., roasted chicken) that are sold cold from refrigerated display counters.

In the second scenario, where the cooked lobster is purchased heated for consumption (i.e., sold from a heated cabinet or sold hot from a separate take-out counter), the sale is taxable at 7% (15% in the participating provinces). GST/HST applies to food that is deliberately heated or kept hot for consumption.

## Repeal of the Air Transportation Tax

The Air Transportation Tax (ATT) applies to passenger air transportation services, and is collected by air carriers. The tax has been reduced, and will be repealed November 1, 1998 as part of the Government's plan to commercialize air navigation services. However, GST/HST will continue to apply to air transportation purchased by passengers.

Information on rate reductions already in place can be found in the Excise Taxes and Special Levies Notices 35 and 35(a), available at your local tax services office.

## Rebate for purchases of specially-equipped motor vehicles

It is proposed that, if a person (e.g., an individual, municipality, non-profit organization, charity, or school authority) purchases a new motor vehicle that has been specially equipped or adapted for use by an individual requiring the use of a wheelchair, and payment for the vehicle becomes due (or importation occurs) after April 3, 1998, that person will be entitled to a rebate equal to the GST/HST payable on the portion of the purchase cost of the vehicle attributable to its special features.

## Tax status of frozen shrimp rings or shrimp boats

Certain arrangements of prepared food (e.g., platters of meat or cheese) are specifically excluded from the zero-rating provisions of the GST/HST. Therefore, a frozen ring or boat of cooked, peeled, and deveined shrimp (e.g., boats or rings of fresh or thawed shrimp) is taxable at 7% (15% in the participating provinces) as an arrangement of prepared food.



## Most frequently asked questions on the GST/HST

The following are some of the most frequently asked questions on the Goods and Services Tax (GST)/Harmonized Sales Tax (HST), as noted by officers in our tax services offices across Canada. Where detailed information on these topics has been provided in past issues of the *GST/HST News*, or where more definitive information is contained in other GST/HST publications, these sources are referenced.

### How do I determine if a non-resident is carrying on business in Canada?

Many factors are taken into account to determine if a non-resident is carrying on business in Canada. These include whether the non-resident is considered to have a permanent establishment in Canada, where the business contract was concluded, where the operations take place, where the goods are delivered, where payment is made, and where orders for products, if any, are solicited.

Non-residents carrying on business in Canada must register for the GST/HST if they sell or provide taxable goods or services in Canada and if their total worldwide revenues from taxable (including zero-rated) supplies, including the taxable revenues of all their associates (e.g., related companies) over the past four consecutive calendar quarters (or during any one calendar quarter) are more than \$30,000.

For detailed information, refer to the guide *Doing Business in Canada – GST/HST Information for Non-Residents*, or Section 2.5 of the GST/HST Memoranda Series, *Non-Resident Registration*.

### Am I entitled to an input tax credit on the passenger vehicle I recently purchased for my business?

There are special rules that apply for claiming input tax credits on passenger vehicles that registrants acquire to use as capital property in their commercial activities, depending on the type of GST/HST registrant, the cost of the vehicle, and the extent to which the vehicle is used in the registrant's commercial activities.

#### ITC eligibility for passenger vehicles

Percentage used in commercial activities	Financial institutions <sup>1</sup>	Individuals/partnerships	Public sector bodies <sup>2</sup> /other registrants
less than or equal to 10%	%	0%	0%
more than 10% up to and including 50%	%	*	0%
more than 50% but less than 90%	%	*	100%
90% or more	%	100%	100%

<sup>1</sup> Input tax credits for financial institutions are based on the actual percentage used in commercial activities

<sup>2</sup> Includes governments, non-profit and charitable organizations, municipalities, universities, schools, hospitals, and public colleges

\* Input tax credit is determined each year using the following formulas:

GST:  $7/107 \times \text{capital cost allowance (CCA)} \times \frac{\% \text{ used in commercial activities}}{\% \text{ used for CCA calculation}}$

HST:  $15/115 \times \text{CCA deduction} \times \frac{\% \text{ used in commercial activities}}{\% \text{ used for CCA calculation}}$

In cases where the individual or partnership is charged 7% GST on a passenger vehicle, subsequently brings that vehicle into a participating province, and is charged the 8% provincial component of the HST on the prescribed value of the vehicle, the input tax credit entitlement on the 8% tax is determined each year using the formula:

$8/108 \times \text{CCA deduction} \times \frac{\% \text{ used in commercial activities}}{\% \text{ used for CCA calculation}}$

An input tax credit is not allowed for the GST/HST payable on any portion of the purchase price of a passenger vehicle (and any improvements to the vehicle) in excess of the amount that is the capital cost of the vehicle for income tax purposes. The maximum cost of a passenger vehicle for these purposes is currently \$26,000, excluding provincial sales taxes and the GST/HST.

More information regarding input tax credits for individuals or partnerships acquiring passenger vehicles, when the vehicles are used less than 90% in commercial activities, is contained in the article entitled "ITCs for individuals or partnerships acquiring passenger vehicles or aircraft" in the Fall 1995 edition of the *Excise/GST News*. For a definition of "passenger vehicle", refer to the article "What is a passenger vehicle for GST purposes?" in the Winter 1995 edition of the *News*.



## Most frequently asked questions on the GST/HST

### Is the sale of land by an individual taxable?

Generally, the sale of vacant land is subject to the GST/HST. However, the sale may be exempt when an individual sells personal use land, i.e., land that is not used for commercial or other business purposes.

If an individual sells land that he or she has severed or subdivided into more than two parts, the sale is taxable, unless the purchaser is a relative or former spouse of the individual, and that person is acquiring the land for personal use. Special rules apply if the land was previously subdivided or severed because of expropriation.

The sale of land that is capital property used in an individual's business with a reasonable expectation of profit is taxable, as is land sold in the course of a business. The sale of land in the course of an adventure or concern in the nature of trade is also taxable, where the individual has filed election form GST22. The election would likely be made if the land was acquired for the purpose of earning income through its resale.

Special rules apply to sales of farmland.

To determine if the sale of land is subject to the GST/HST, you may write to your nearest tax services office, providing a complete description of the facts and all relevant documentation, to obtain a written ruling.

### How is the public service body rebate calculated?

Eligible public service bodies (i.e., non-profit school authorities, universities, and public colleges, as well as hospital authorities, municipalities, non-profit organizations, and charities), whether GST/HST registrants or not, use form GST66 to claim a rebate for a portion of the GST/HST they pay on goods and services used in their activities for which they are not entitled to claim an input tax credit. Charities and public institutions also use form GST66 to claim a rebate of the GST/HST they pay on goods and services they export.

There are nine types of organizations outlined on form GST66, each with its own rebate factor. For example, the rebate factor for municipal activities is 57.14%, and for university activities is 67%. The factor for charities and non-profit organizations is 50% (however, only those non-profit organizations that receive at least 40% government funding may qualify for the rebate).

For detailed information on calculating and claiming a public service body rebate, refer to the guide *GST/HST Public Service Bodies' Rebate*.

### What is the GST/HST New Housing Rebate, and how is it paid or credited by builders to new home purchasers?

The GST/HST New Housing Rebate is a rebate for a portion of the GST/HST paid or amount paid by individuals on the purchase price or cost of construction or substantial renovation of their home, if:

- they buy the home (including the land) from a builder;
- they buy the home, and lease the land from a builder;
- they buy a new mobile home, new floating home, or new modular home from a builder (manufacturer, distributor or retailer, commonly referred to as a dealer);
- they buy a share of capital stock of a co-operative housing corporation;
- they construct or substantially renovate their own home (or hire another person to do so); or
- their home is destroyed in a fire and is subsequently rebuilt.

If an individual purchases a qualifying home from a builder, the rebate may be paid or credited to that individual by the builder. That is, the builder may pay the rebate directly to the individual, or credit the individual with the rebate amount (e.g., use it to reduce the price of the home at the time of purchase). To have the rebate paid or credited by the builder, individuals complete application type "1A" on the rebate application form GST190.

For more information on the GST/HST New Housing Rebate, as well as a copy of the rebate application form, refer to the guide *GST/HST New Housing Rebate*.



## Most frequently asked questions on the GST/HST

### What is a "substantial renovation", for purposes of the GST/HST New Housing Rebate?

If a house is virtually gutted, so that all wiring, plumbing, heating, doors, and windows are removed or replaced, and 90% or more of the house is totally refurbished, the house has been "substantially renovated" for purposes of claiming the GST/HST new housing rebate. Renovations to the foundation, external walls, interior supporting walls, floors, roof, staircases, and additions are not included in any calculation to determine whether 90% or more of the existing house has been removed or replaced.

More information on what constitutes a substantial renovation will soon be available in Section 19.3.7 of the GST/HST Memoranda Series, *Real Property Rebates – Special Issues*.

### What rate of tax applies in the participating and non-participating provinces? Please explain the place of supply rules.

Effective April 1, 1997, all GST/HST registrants across Canada who make taxable (other than zero-rated) supplies that are considered to be made in any of the participating provinces, including supplies shipped or mailed from outside a participating province to recipients in a participating province, are required to collect and account for the 15% HST. A taxable (other than a zero-rated) supply made in a non-participating province, including supplies shipped or mailed from a participating province to recipients in a non-participating province, is subject to the 7% GST.

For more information, refer to Technical Information Bulletin B-078, *Place of Supply Rules under the HST*.

### How is the GST/HST calculated when a leasehold interest in a leased vehicle is traded in on the supply of a new vehicle?

A "leasehold interest" is a bundle of rights a lessee has in respect of a lease. For most leases, if the agreed value of the leased property is more than the amount required to be paid to terminate the lease, the lessee has built up equity in the lease, and the value of the leasehold interest is equal to the amount of the built-up equity. Not only is a leasehold interest present at the end of a lease, but early termination of a lease can also involve a leasehold interest.

A registrant dealer leasing or selling a new vehicle, that accepts a trade-in of a leasehold interest from a non-registrant, will reduce the amount on which the GST/HST is calculated. For example, if a registrant dealer sells a new vehicle in a non-participating province to a non-registrant individual, and accepts the individual's leasehold interest as a trade-in, the tax payable is calculated as follows:

Cost of new car	\$20,000
Leasehold interest accepted as trade-in	<u>1,000</u>
Adjusted cost	\$19,000
GST (\$19,000 × 7%)	<u>1,330</u>
Total amount payable	\$20,330

These rules also apply to a registrant individual trading in a leasehold interest in a leased vehicle where the vehicle was used less than 90% in the individual's commercial activities.

However, the rules do not apply to registrants who are required to charge the GST/HST on the supply of the leasehold interest. In these situations, the person trading in the leasehold interest charges the GST/HST on the supply of the leasehold interest, and the dealer charges the tax on the full value of the new vehicle. The dealer and the person who traded in the leasehold interest are entitled to claim input tax credits for the GST/HST payable on this transaction in the normal manner.

**Note:** The amount required to be paid by a lessee to terminate a lease and take title to a leased vehicle does not constitute a lien against the vehicle.

These rules are not limited to supplies of vehicles, but also apply to taxable (other than zero-rated) supplies of other goods. For more information, refer to Technical Information Bulletin B-084, *Treatment of Used Goods*.



## Most frequently asked questions on the GST/HST

### How does the GST/HST apply to sales to Indians?

If you are registered for the GST/HST, and you supply goods or services taxable at 7% GST or 15% HST to Indians, Indian bands, or band-empowered entities, you do not charge the GST/HST if the purchaser provides proper documentation (e.g., information from the Certificate of Indian Status card) and:

- the goods are sold on a reserve, or the goods are delivered (by you or your agent) to a reserve;
- an Indian purchases services (e.g., haircuts, small appliance repairs) which are performed totally on a reserve; or
- an Indian band or band-empowered entity purchases services (e.g., legal, accounting, or professional services) on or off a reserve for band management activities, or for real property on a reserve.

In all other cases, you have to collect the GST/HST on supplies of taxable goods purchased by individual Indians, Indian bands, tribal councils, and band-empowered entities when the sales are made off a reserve (unless delivered to a reserve, as noted above). Individual Indians have to pay GST/HST on all taxable services provided off a reserve.

Suppliers of taxable goods and services to Indians, Indian bands, and band-empowered entities in the Yukon must charge and collect the GST effective February 15, 1998.

For more information on the GST/HST administrative policy as it pertains to Indians, refer to Technical Information Bulletin B-039R, *GST Administrative Policy – Application of GST to Indians*.

### Is a non-profit organization required to register for the GST/HST?

All non-profit organizations are required to register for the GST/HST if their total (gross) worldwide revenues from taxable (including zero-rated) supplies, as well as the taxable revenues of all their associates, in the immediate preceding four consecutive calendar quarters, are more than \$50,000, or exceed \$50,000 in one calendar quarter.

### What are the Quick Method and Special Quick Method of accounting rates?

Proposed amendments to the *Streamlined Accounting (GST) Regulations* set out new remittance rates for registrants that have elected to use the Quick Method of accounting, as well as registrant public service bodies that have elected to use the Special Quick Method of accounting, to calculate their net GST/HST liability.

The remittance rates vary, depending upon the place of supply, as well as the location of the organization's permanent establishment from which the supply is made, and take into account that GST may apply to some sales and purchases by registrants, and HST may apply to others.

The May 6, 1997 Notice entitled *New Draft GST/HST Regulations and Legislative Amendments* provides background information regarding these changes to the streamlined methods of accounting. Amended remittance rates announced by the Department of Finance on November 26, 1997, are detailed in the Spring 1998 edition of the *GST/HST News*. These latter rates supersede those published in the May 1997 Notice.



## What's new in publications?

### GST/HST Guides

*Employee and Partner GST/HST Rebate* (RC4091E)  
*Westbank First Nation Tobacco Products Tax* (RC4072E)  
*Quick Method of Accounting for GST/HST* (RC4058E)  
*Harmonized Sales Tax and the Provincial Motor Vehicle Tax* (RC4100E)

### GST/HST Technical Information Bulletins

B-085 *The Point-of-Sale Rebate on Books*

### GST/HST Memoranda Series

Section 4.2 *Medical and Assistive Devices*  
 Section 7.5 *Electronic Filing and Remitting*  
 Section 19.2 *Residential Real Property*  
 Section 19.2.1 *Residential Real Property – Sales*

### Excise Taxes and Special Levies Memoranda Series – Air Transportation Tax

Section 5.8 *Charter Flights*

### Summerside Tax Centre Toll-free numbers for GST/HST account enquiries

Refund cheques, remittances,  
account status, errors on  
previously filed returns

1-800-461-3567

### Status of specific rebate claims

1-800-565-9353

## Prescribed interest rates

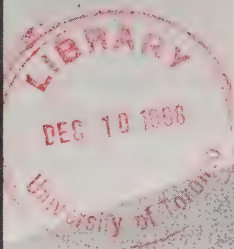
**G**ST/HST interest and penalty compound daily. For excise duty, penalty compounds monthly, and interest compounds daily. For all other taxes noted below, penalties and interest are calculated monthly for each month or part-month in which a balance remains. The total amount payable is based on the total tax, penalties, and interest outstanding. Prescribed interest rates are adjusted every calendar quarter.

	GST/HST, FST, Air Transportation Tax, Excise Tax (annualized rates)		Excise Duty (annualized rates)	
	Interest* %	Penalty %	Interest %	Penalty %
<b>1998</b>				
January 1 – March 31	3.6499	6.0	6.0	6.0
April 1 – June 30	3.6098	6.0	6.0	6.0

\*To calculate interest for GST/HST purposes only, divide the annualized rate by 365 and apply it daily.



Printed in Canada

CAI  
NR  
-G77

# GST/HST News

No. 30

Fall 1998

## Contents

<i>Do you disagree with your Notice of Assessment? . . . .</i>	<i>1</i>
<i>Who pays the GST/HST on "additional rents" in commercial lease agreements? . . . . .</i>	<i>2</i>
<i>Directors' liability. . . . .</i>	<i>2</i>
<i>Electronic Records . . . . .</i>	<i>2</i>
<i>Tax status of "registering a lien" and "lien searches". . .</i>	<i>3</i>
<i>New look for the GST/HST Return. . . . .</i>	<i>3</i>
<i>Erratum. . . . .</i>	<i>3</i>
<i>Prescribed interest rates . . . .</i>	<i>3</i>
<i>Customs Information Day. . . .</i>	<i>4</i>
<i>What's new in publications? . .</i>	<i>4</i>
<i>Toll-free numbers for GST/HST account enquiries. . . . .</i>	<i>4</i>

## Do you disagree with your Notice of Assessment?

If you receive a Notice of Assessment and require assistance in explaining its contents, contact your nearest Revenue Canada tax services office. We will be pleased to discuss the issues surrounding the assessment with you. If you disagree with the assessment, you may object by filing form GST159, *Notice of Objection (GST/HST)*. You should clearly outline the reasons for your objection and provide all the relevant facts in detail. Please send the form to the Assistant Director, Appeals, at your local tax services office within 90 days after the date the Notice of Assessment was mailed to you.

**Note:** There are special rules regarding notices of objections for "specified persons". Generally, a specified person is a listed financial institution or person (other than a charity) whose annual taxable supplies in each of the two preceding fiscal years exceed \$6 million. For more information, contact your local tax services office.

To resolve your objection, an Appeals officer will conduct a complete and impartial review of

your case. You or your authorized representative will be contacted to discuss the matter. After all the factors have been considered, you will receive a Notice of Decision. If the objection is allowed (in whole or in part), this notice will be accompanied by a Notice of Reassessment indicating the revised amounts.

If you do not file a Notice of Objection within 90 days after the mailing date of the Notice of Assessment, you may apply for an extension of the time limit to file. Your application must provide the reasons why the Notice of Objection was not filed within the required time limit. Send two copies of the application and two copies of the Notice of Objection by registered mail to the Assistant Director, Appeals, of your local tax services office.

An extension to the time limit to file a Notice of Objection may be granted if the following conditions are met:

- the application is made within one year after the time limit expires;
- you can demonstrate that, within the normal time limit for filing the objection, you were unable to

*continued on page 2*

The *GST/HST News* is published quarterly and highlights recent developments in the administration of the Goods and Services Tax (GST) and Harmonized Sales Tax (HST), as well as excise taxes and duties. This publication is provided for information purposes only and does not replace law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Revenue Canada tax services office.

Comments or suggestions about the newsletter should be sent to the Editor, *GST/HST News*, Ottawa, Ontario K1A 0L5. Please note that any changes to your name or address should be directed to your local Revenue Canada tax services offices, and not to the Editor.

ISSN 1183-689X





## Do you disagree with your Notice of Assessment? cont.

- act (i.e., due to grave illness, injury, or other extraordinary circumstances) or to give permission for someone else to act on your behalf, or you had a genuine intention to object;
- the reasons in the application and the circumstances of the case are such that it would be just and equitable to grant the application; and
  - the application is made as soon as circumstances permit it to be made.

If you are not satisfied with our decision regarding your objection to the assessment, or your application to extend the time limits for filing the objection, you may ask the Tax Court of Canada to review our decision.

## Who pays the GST/HST on "additional rents" in commercial lease agreements?

Many commercial or non-residential lease agreements take the form of "net" leases. The tenant is required to pay a fixed base rent, as well as additional amounts, such as common area expenses, insurance premiums, municipal property taxes and water charges, or business taxes. These extra amounts are typically described as "additional rents" in the lease agreement.

Generally, the payment of property and business taxes does not attract the GST/HST when paid to the municipality. However, where payment for the supply of real property under a lease agreement includes amounts in respect of "additional rents", the **lessor** (landlord) must collect the

GST/HST on the total value of the lease, even if amounts in respect of these charges are itemized separately.

Furthermore, if the landlord, for example, requires the tenant to pay property and business taxes, on the landlord's behalf, those amounts are also treated as part of the lease payment for the commercial or non-residential property, and will be subject to the GST/HST. Only if the tenant is directly liable to the municipality or other entity for the payment of any such amounts will the GST/HST not apply.

Generally, tenants who are GST/HST registrants are eligible to recover all or a portion of the tax on "additional rents" as input tax credits.

## Directors' liability

If a corporation (including an incorporated charity or incorporated non-profit organization) fails to remit net GST/HST owing as required, its directors are jointly and severally liable, together with the corporation, to pay the amount and any related penalties and interest. A similar rule applies under the *Income Tax Act* for Canada Pension Plan, Employment Insurance, or income tax remittances.

Directors of corporations will not be held liable for the unremitted net tax (plus related penalties and interest) of a corporation if they demonstrate that they have

exercised the degree of care, diligence, and skill to prevent the failure to remit the net tax that a reasonably prudent person would have exercised in comparable circumstances.

In the case of unincorporated bodies, such as unincorporated charities or non-profit organizations, a similar rule for liability also applies. If the unincorporated body fails to remit or pay GST/HST amounts, its directors, officers or members may be jointly and severally liable to remit or pay the amounts owing, including penalty and interest.

## Electronic records

Effective June 18, 1998, all persons who keep their records in an electronic format are required to retain these electronic records (even if a hard copy is also available) for a period of **six years** from the end of the year to which they relate. This applies to electronic records for both income tax and GST/HST.

Some commercial accounting packages may not meet these requirements, therefore you may have to modify or adjust your procedures to ensure adequate documentation is retained.

For more information, contact your local tax services office.

## Tax status of “registering a lien” and “lien searches”

Certain supplies made by government authorities, such as providing information regarding the title of property, are exempt from the GST/HST. For example, if a car dealership leases a car to a consumer, and registers a lien on the car with the provincial government, the government’s fee to register the lien is exempt.

### Credit bureau acting as an agent

In some cases, a car dealership wishing to register a lien in its name may hire a credit bureau to undertake this task. The credit bureau pays the provincial government’s fee (which is an exempt supply) to register the lien on behalf of the car dealership (i.e., acts as the dealership’s agent). The credit bureau’s charge to the dealership for the service of registering the lien is subject to the GST/HST, but the provincial government’s fee to register the lien flows through to the dealership without tax.

Lien searches may also be undertaken by credit bureaus on behalf of car dealerships. The rules noted above apply where the credit bureau performs the lien search as an agent of the car dealership. The credit bureau’s charge for performing the lien search is subject to the GST/HST, but the provincial government’s fee for the lien search flows through to the dealership without tax.

If the credit bureau bills the car dealership an all-inclusive price for both registering a lien (or a lien search), as well as its services, the entire amount is subject to the GST/HST.

### Credit bureau not acting as an agent

However, there may be instances where the credit bureau does not act as an agent of the car dealership when undertaking lien searches. In these situations, both the credit bureau’s charge for performing the lien search, and the provincial government’s fee, are subject to the GST/HST when these amounts are invoiced to the car dealership.

## Erratum

On page 5 of the Summer 1998 edition of the *GST/HST News*, there was an article entitled “What is the GST/HST New Housing Rebate, and how is it paid or credited by builders to new home purchasers?” In that article, it stated that the rebate was available to individuals who purchase new modular homes.

This statement should be qualified. The rebate is available to individuals who purchase modular homes only if the homes are placed and affixed to land. As well, the builder can pay or credit the rebate only when the modular home and related land are both purchased from the builder (or, in the case of leased land, when the modular home is purchased and the related land is leased from the builder). Otherwise, the purchaser must apply for the rebate provided the modular home is placed and affixed to land, as required. For more information, refer to the *GST/HST New Housing Rebate* guide, or contact your local tax services office.

## New look for the GST/HST Return

Starting in November 1998 your personalized *GST34 Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return for Registrants* will have a new look. The major change will be that your Business Number and name will appear on the top portion of the return (your working copy), in response to feedback from many GST/HST registrants and their authorized representatives. We will also include more instructions to help you complete the return.

## Prescribed interest rates

GST/HST interest and penalty compound daily. For excise duty, penalty compounds monthly, and interest compounds daily. For all other taxes noted below, penalties and interest are calculated monthly for each month or part-month in which a balance remains. The total amount payable is based on the total tax, penalties, and interest outstanding. Prescribed interest rates are adjusted every calendar quarter.

	GST/HST, FST, Air Transportation Tax, Excise Tax (annualized rates)		Excise Duty (annualized rates)	
	Interest*	Penalty	Interest	Penalty
1998	%	%	%	%
January 1 - March 31	3.6499	6.0	6.0	6.0
April 1 - June 30	3.6098	6.0	6.0	6.0
July 1 - September 30	4.7609	6.0	7.0	6.0

\*To calculate interest for GST/HST purposes only, divide the annualized rate by 365 and apply it daily.



## Customs Information Day

Revenue Canada will host a Customs Information Day for importers, exporters and the travelling public on Saturday, October 17, 1998, from 8:30 a.m. to 4:00 p.m. at the Toronto Congress Centre, Hall B, 650 Dixon Road, Toronto, Ontario.

The information day will feature an exhibit area with over 20 booths representing Revenue Canada, US Customs, other federal departments and private sector associations. Information seminars based on a variety of customs-related topics will also be presented. There will be customs detector dog demonstrations and, as an added bonus, parents can have their children participate in the child identification program known as "Kinderprint".

Admission and parking for this event will be free of charge. For more information, or to pre-register for a seminar, write to the Client Services Division, Revenue Canada, 555 MacKenzie Avenue, Ottawa ON K1A 0L5; send a fax to (613) 954-3577; or call toll-free at 1-877-593-6444. Please note that space is limited.

### Seminar Schedule

	Importing – Basics Donald Sutherland Room 3-4	Exporting from Canada Pierre Berton Room 1-2	Trade Requirements – Basics Pierre Berton Room 3-4	NAFTA Sorel Etrog Room	GST/HST Donald Sutherland Room 5
09:00 – 10:00	X	X		X	
09:30 – 10:30			X		X
10:30 – 11:30	X	X			
11:00 – 12:00			X	X	X
12:30 – 13:30	X	X			
13:30 – 14:30			X		
15:00 – 16:00	Subject to demand	Subject to demand	Subject to demand	Subject to demand	Subject to demand

## What's new in publications?

### GST/HST Guides and Pamphlets

*Tax Refund for Visitors (RC4031E)*

*GST/HST Information for Charities (RC4082E)*

*GST/HST Information for Non-Resident Incentive Travel Organizers*  
(updated insert)

*GST/HST Information for Non-Resident Tour Operators* (updated insert)

*GST/HST Information for Non-Resident Meeting Planners and Convention Organizers* (updated insert)

*GST/HST Information for Providers of Accommodation and Meeting Facilities* (updated insert)

### GST/HST Memoranda Series

Section 4.5.3 *Exports – Services and Intellectual Property*

Section 19.2.3 *Residential Real Property – Deemed Supplies*

Section 19.2.4 *Residential Real Property – Special Issues*

Section 28.1 *Ferry, Road and Bridge Tolls*

### Toll-free numbers for GST/HST account enquiries

**Refund cheques, remittances,  
account status, errors on  
previously filed returns**

1-800-461-3567

### Status of specific rebate claims

1-800-565-9353



Printed in Canada



Copyright  
1998

# GST/HST News

No. 31

Winter 1998

## Contents

<i>Specially equipped vehicles for persons with disabilities . . .</i>	<i>1</i>
<i>Employee benefits . . . . .</i>	<i>2</i>
<i>Prescribed rates of interest . . .</i>	<i>2</i>
<i>Membership dues paid on behalf of an employee, partner or volunteer. . . . .</i>	<i>2</i>
<i>Vehicle licence registration . . .</i>	<i>3</i>
<i>Consultants' invoices . . . . .</i>	<i>3</i>
<i>Registration of a partner . . . . .</i>	<i>3</i>
<i>Reminder . . . . .</i>	<i>3</i>
<i>Definition of "mobile home" . . .</i>	<i>4</i>
<i>What's new in publications . . .</i>	<i>4</i>
<i>Toll-free numbers for GST/HST account enquiries . . . . .</i>	<i>4</i>

## Specially equipped vehicles for persons with disabilities

As announced on April 3, 1998, and discussed in the Summer 1998 edition of the *GST/HST News*, the Minister of Finance has proposed that, where a person purchases a new motor vehicle that has been specially equipped or adapted for use by an individual requiring the use of a wheelchair, the person will be entitled to a rebate equal to the GST/HST paid or payable on the portion of the purchase price of the vehicle that is reasonably attributable to the special features.

On August 7, 1998, the Minister released further details and draft legislation relating to this rebate. The proposed rebate has been expanded to include vehicles equipped with auxiliary driving controls that facilitate the operation of the vehicle by individuals with disabilities, and used vehicles that have been newly modified with auxiliary driving controls or to accommodate the transportation of individuals using wheelchairs. Special treatment for leases of qualifying vehicles has also been added.

The proposal also includes a mechanism to allow a GST/HST-registered supplier to pay or credit the amount of the rebate to the customer and claim an equivalent deduction in determining net tax. This would eliminate the requirement for the purchaser to pay the GST/HST at the point of sale and later apply for a refund.

In the case of leases, it has been proposed that where a first lease is entered into for a qualifying vehicle, the portion of the lease payment that is identified in writing as reasonably being attributed to the special features will not be subject to the GST/HST. This would continue to apply to subsequent variations to the lease between the same lessee and lessor. When the lessee exercises an option to purchase the vehicle, the purchase will be treated in the same manner as the purchases discussed above.

Rebate applications must be filed with the Department within four years after the tax became payable on the sale of the vehicle.

*Continued on Page 3*

The *GST/HST News* is published quarterly and highlights recent developments in the administration of the Goods and Services Tax (GST) and Harmonized Sales Tax (HST), as well as excise taxes and duties. This publication is provided for information purposes only and does not replace law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Revenue Canada tax services office. Revenue Canada information can also be found on the Internet at <http://www.rc.gc.ca/>

Comments or suggestions about the newsletter should be sent to the Editor, *GST/HST News*, Ottawa, Ontario K1A 0L5. Please note that any changes to your name or address should be directed to your local Revenue Canada tax services offices, and not to the Editor.

ISSN 1183-689X



## Employee benefits

In general, the treatment of employee benefits under the GST/HST is linked to their treatment under the *Income Tax Act* (ITA).

Non-monetary compensation, commonly called fringe benefits, may be taxable. Registrant employers are to remit the GST/HST on employee benefits which are taxable under the ITA. For purposes of the GST/HST, taxable employee benefits generally include:

- personal use of an employer's automobile;
- board and lodging for less than 30 days;
- non-monetary incentives, such as prizes, awards, and holiday trips which are taxable at 7% or 15%; and
- non-cash gifts valued at more than \$100 which are taxable at 7% or 15%.

Registrant employers are required to calculate the GST/HST due on taxable employee benefits once a year, at the end of February in the year following the year in which the benefit was provided to the employee. This coincides with the deadline for calculating employee benefits for income tax purposes and for issuing T4 slips. The GST/HST on taxable employee benefits is included in the total value of the benefits employers report on the employee's T4 slip. Registrants are required to remit the GST/HST on taxable employee benefits for the year as "GST/HST Collected or Collectible" (i.e., line 103) on their GST/HST return that includes the month of February.

Generally, GST/HST will not apply to the taxable employee benefit where the employer was restricted from claiming an input tax credit for the GST/HST paid or payable on the goods or services

because they were used exclusively (i.e. 90% or more) for the personal consumption, use, or enjoyment of an employee.

For more information on the tax status of employee benefits, refer to the income tax publication, *Employers' Guide to Payroll Deductions – Taxable Benefits* (T4130).

## Membership dues paid on behalf of an employee, partner or volunteer

Generally, membership dues in a professional or work-related association are invoiced to the individual who is obligated to pay the amount as a member of the association. Where an employer reimburses all or a portion of the membership dues of his or her employee, the employer is considered to have paid any GST/HST included in the amount reimbursed, provided that the dues are in relation to the commercial activities of that employer. Accordingly, the employer may be entitled to an input tax credit in respect of the deemed tax paid or payable.

Furthermore, for GST/HST purposes, the Department has taken the position that any direct payment made by the employer to the association on behalf of an employee in respect of his or her membership dues will constitute a reimbursement of the employee's expense. As a result, the employer may be entitled to claim an input tax credit for any GST/HST paid or payable in respect of the reimbursed amount.

Similar rules apply with respect to membership dues paid on behalf of members of partnerships and volunteers of a charity or public institution.

## Prescribed rates of interest

GST/HST interest and penalty compound daily. For excise duty, penalty compounds monthly, and interest compounds daily. For all other taxes noted below, penalties and interest are calculated monthly for each month or part-month in which a balance remains. The total amount payable is based on the total tax, penalties, and interest outstanding. Prescribed interest rates are adjusted every calendar quarter.

	GST, FST, Air Transportation Tax, Excise Tax (annualized rates)		Excise Duty (annualized rates)	
	Interest* %	Penalty %	Interest %	Penalty %
<b>1998</b>				
January 1 – March 31	3.6499	6.0	6.0	6.0
April 1 – June 30	3.6098	6.0	6.0	6.0
July 1 – September 30	4.7609	6.0	7.0	6.0
October 1 – December 31	4.7609	6.0	7.0	6.0

\*To calculate interest for GST/HST purposes only, divide the annualized rate by 365 and apply it daily.

## Vehicle licence registration

In provinces where the licence plate registration on a new or used vehicle can be made on behalf of or in the name of the owner of the vehicle by a car dealership, the licence plate registration fee charged by the province is exempt from GST/HST even when that amount is included on the car dealership's invoice.

Where a leasing company registers the licence plate portion of the permit **in the name of the lessee**, pays for the licence on behalf of the lessee as an agent, and charges the equivalent amount back to the lessee for having done so, the licence plate fee is **not** subject to tax.

However, where a leasing company registers the plate portion of the permit **in the name of the**

**leasing company**, pays the province for the licence plate, and seeks reimbursement for having done so, the customer's payment to the leasing company for the licence plate is considered to be part of the payment for the lease of the vehicle. The licence plate fee will be subject to GST/HST in the same manner as the taxable supply of the lease of the vehicle.

Where a service charge is rendered by the car dealership or leasing company in addition to the amount charged for the licence plates, the service charge will be subject to tax.

**Note:** The supply of a licence registration on a vehicle is an exempt supply when provided by a government body.

## Consultants' invoices

Registered consultants are required to charge the GST/HST on their base contract amount. The treatment of additional expenses depends on the agreement between the consultant and the client.

Generally, consultants are not agents of their clients. In these cases, expenses incurred by a consultant that a client has agreed to reimburse are treated as additional consideration payable by the client for the consultant's services. The reimbursement for these expenses is treated in the same manner as the consultant's base contract amount (i.e., the GST/HST is applicable on the amount being reimbursed). As a registrant, the consultant can claim input tax credits for the GST/HST paid or payable on the expenses.

Even if consultants are agents of their clients, they do not necessarily incur all of their expenses as agents. Therefore, it is important to determine whether the expense that is being reimbursed by the client has been incurred by the consultant as the client's agent.

Where the consultant incurs an expense to acquire a supply as the client's agent, the client is considered to be the recipient of the supply. The reimbursement for the expense incurred by the consultant as agent is not treated as additional consideration, and the consultant is not eligible to claim an input tax credit for the GST/HST paid or payable on the supply. Instead, the consultant would flow through the expense, including any applicable GST/HST to the client. The client can claim input tax credits for the GST/HST paid or payable on the consulting services in addition to the GST/HST on the expense incurred by the consultant as its agent to the extent that the services were provided in the course of the client's commercial activities. However, if the supply did not attract GST/HST when acquired by the consultant as an agent (e.g., a zero-rated or an exempt supply), the supply would flow through to the client without the GST/HST, and no input tax credit could be claimed.

## Registration of a partner

The Summer 1998 edition of the *GST/HST News* discussed the voluntary registration on a retroactive basis for partners. Please note that the deadline for voluntary registration on a retroactive basis has been extended from October 24, 1998, to March 31, 1999. That is, voluntary registration on a retroactive basis will now apply to applications for registration received on or before March 31, 1999.

## Reminder

Registrants should note that GST/HST does not apply to insurance which is exempt from the GST/HST like other financial services. Any provincial levy or tax charged by a province on insurance premiums cannot be claimed as an input tax credit. **For example:** Newfoundland and Labrador registrants should not confuse the 15% provincial levy on insurance with the GST/HST.

*Continued from page 1*

## Specially equipped vehicles for persons with disabilities

These measures are intended to apply to sales in Canada of vehicles for which any consideration becomes due after April 3, 1998, or is paid after that day without having become due. The measures also apply to the tax payable on any importation, or bringing into an HST participating province, of a qualifying motor vehicle after April 3, 1998, and to first leases (including options to purchase contained in the lease) where the lease is entered into after April 3, 1998.

For further information, please contact your local tax services office.



## Definition of "mobile home"

For GST/HST purposes, a mobile home is generally given similar treatment as a "residential complex." The term is defined in the legislation to distinguish it from recreational vehicles, travel trailers, motor homes, and camping trailers which are recreational rather than residential in nature.

The definition of "mobile home" was amended, effective April 24, 1996, to better reflect the mobile home industry. The Department's interpretation of the amended definition of "mobile home" encompasses single section module housing and mobile home units as well as certain multi-section modules and mobile homes.

Specifically, the Department interprets the definition of "mobile home" to mean a building that:

- comprises one or more components where each component consists of at least one room or living area and the manufacture and assembly of each component is completed or substantially completed prior to being moved to a site;

- is equipped with complete plumbing, electrical and heating facilities;
- is designed to be moved to a site for installation on a foundation and connection to service facilities; and
- is to be occupied as a place of residence.

Travel trailers, motor homes, camping trailers or other vehicles or trailers designed for recreational use continue to be excluded from the definition.

This new interpretation includes multi-section/mobile modular homes which had not been previously considered by the Department to be included in the definition of "mobile home." To be considered mobile homes for GST/HST purposes, these homes must consist of three-dimensional modules with three walls and a roof/ceiling. They must also be in as finished condition as possible before leaving the manufacturer's premises, taking into consideration that they must be transported.

As a result, vendors of new multi-section mobile/modular homes will be treated in the same manner as vendors of new single section mobile/modular homes. Mobile/modular home dealers will be permitted to pay or credit purchasers of newly manufactured multi-section mobile/modular homes for the amount of a GST/HST New Housing Rebate, where the conditions for the rebate are satisfied, even if, at the time of sale, the modular home has not yet been placed and affixed to land.

Please note that this new interpretation supersedes the information printed in the Erratum column on page 5 of the Summer 1998 edition of the *GST/HST News*.

## What's new in publications

### GST/HST Guides

RC 4080 (E)	<i>GST/HST Information for Freight Carriers</i>
RC 4125 (E)	<i>Basic GST/HST Information for Taxi and Limousine Drivers</i>
RC 4008 (E)	<i>GST/HST Information for Auctioneers</i>

### GST/HST Memoranda Series

Section 4.4	<i>Agriculture and Fishing (revised)</i>
Section 19.3	<i>Real Property Rebates</i>
Section 19.3.1	<i>Rebate for Builder-Built Unit (Land Purchased)</i>
Section 19.3.1.1	<i>Rebate Forms Part of the Value of Consideration</i>
Section 19.3.2	<i>Rebate for Builder-Built Unit (Land Leased)</i>
Section 19.3.3	<i>Rebate for Cooperative Housing</i>
Section 19.3.4	<i>Rebate for Owner-Built Homes</i>
Section 19.3.5	<i>Rebate to Owner of Land Leased for Residential Use</i>
Section 19.3.6	<i>Rebate on Non-Registrant's Sale of Real Property</i>
Section 19.3.7	<i>Real Property Rebates – Special Issues</i>

## Toll-free numbers for GST/HST account enquiries

For refund cheques, remittances, account status, or errors on previously filed returns, please refer to the Blue pages under Revenue Canada – Business Enquiries

or call

1-800-959-5525 (English)  
1-800-959-7775 (French).

**Status of specific rebate claims**  
1-800-565-9353



Printed in Canada



# GST/HST News

No. 32

Spring 1999

## Contents

New draft GST/HST  
legislative amendments  
and regulations . . . . . 1

Joint GST/HST and  
PST seminars . . . . . 2

GST/HST on sales to Indians  
and Indian bands . . . . . 3

Business registration  
simplified . . . . . 3

Visitor Rebate Program –  
information for vendors . . . 4

Prescribed interest rates . . . . 4

Toll-free numbers for  
GST/HST account  
enquiries . . . . . 4

What's new in publications? . . 4

## New draft GST/HST legislative amendments and regulations

The following proposed amendments to the Goods and Services Tax (GST)/Harmonized Sales Tax (HST) legislation and regulations were announced by the Department of Finance on October 8, 1998 and December 10, 1998.

- amendment to bring the GST/HST provisions relating to food, beverages, and entertainment expenses more in line with the treatment of such expenses under the *Income Tax Act*;
- new deeming rules for determining whether a supply of a lease, licence, or similar arrangement is made in or outside Canada;
- the election for specified members of a closely related group of corporations not to account for otherwise fully recoverable tax on certain intra-group transactions extended to groups that include "Canadian partnerships";
- application of the GST/HST to construction services provided in Canada by sureties under construction performance bonds;
- zero-rated supplies of precious metals to be included in the total revenue from the making of supplies by a refiner for purposes of the *de minimis* test for financial institutions;
- new rules for certain sale-leaseback arrangements where the lessor immediately leases the property back to the person who sells the property to the lessor;
- proposed amendments to designate "barter exchange networks" and special GST/HST treatment of transactions involving the provision of barter units;
- bad debt relief to be available only to the registrant who had made the supply in respect of the bad debt;
- persons who have received a credit note, or issued a debit note, for an adjustment, refund, or credit of a GST/HST amount must repay a portion of any rebate previously paid or applied to the extent that the rebate included that amount;

continued on page 2

The *GST/HST News* is published quarterly and highlights recent developments in the administration of the Goods and Services Tax (GST) and Harmonized Sales Tax (HST), as well as excise taxes and duties. This publication is provided for information purposes only and does not replace law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Revenue Canada tax services office. Revenue Canada information can also be found on the Internet at <http://www.rc.gc.ca/>

Comments or suggestions about the newsletter should be sent to the Editor, *GST/HST News*, Ottawa, Ontario K1A 0L5. Please note that any changes to your name or address should be directed to your local Revenue Canada tax services offices, and not to the Editor.

ISSN 1183-689X



## New draft GST/HST legislative amendments and regulations (continued)

- consideration attributed to the sale of the goodwill of a business to be excluded from the calculation of a person's threshold amount for purposes of establishing that person's reporting period;
- rules for zero-rating a supply of goods delivered or mailed by a supplier to a common carrier for export;
- rules relating to games of chance, including casino gaming and the supply or operation of gaming machines (e.g., video lottery terminals);
- clarification of "person at risk" in relation to a financial instrument under the *Financial Services (GST) Regulations*;
- deemed trust for amounts collected as or on account of GST/HST;
- tax-included accounts receivable that have been sold or assigned;
- the requirement to disclose tax on a taxable supply does not apply if the supplier is not required to collect the tax on the supply;
- New Housing Rebate entitlement for purchasers of residential complexes situated on leased land and that contain two units;
- rebates for public service bodies;
- liens, charges, priorities, or binding interests in a province giving rise to secured claims in bankruptcy;
- exempt supply by way of assignment of an exempt headlease or similar arrangement;
- exempt supply of a parking space to an occupant, owner, or lessee, and exempt condominium fees charged to an owner or lessee with respect to detached residential condominium units;
- definition of "practitioner" with respect to speech therapy, osteopathic, and psychological services;
- extension of exemption for speech therapy services;
- second language training services supplied by vocational schools;
- suppliers to collect tax on sales of cemetery plots, regardless of whether the individual recipient is a registrant;
- goods imported into Canada and goods brought into a participating province supplied under warranty;
- place of supply rules with respect to whether a supply is made in a participating province for lease intervals under a short-term lease, licence, or similar arrangement (i.e., for periods of three months or less);
- *Federal Book Rebate (GST/HST) Regulations* (addition of three organizations to the list of prescribed rebate recipients);
- *Games of Chance (GST/HST) Regulations*; and
- *Place of Supply (GST/HST) Regulations*.

For more detailed information regarding the proposed amendments, contact your local Revenue Canada Tax Services office.

## Joint GST/HST and PST seminars

As a pilot project, the Ottawa Tax Services office of Revenue Canada and the Ontario Ministry of Finance have teamed up to deliver a series of free, fully integrated seminars on the GST/HST and the Ontario provincial sales tax (PST).

The seminars, held in Ottawa and offered in both official languages, target common topics, such as:

- how the GST/HST and PST work;
- similarities and differences between the taxes;

- responsibility for collecting and remitting the taxes; and
- how to keep proper records and complete tax returns.

Additional seminars will be offered throughout the province of Ontario (e.g., the North York Tax Services office offered the first of a series of seminars in February 1999).

For more information, registrants in the Ottawa region can contact the Ottawa Tax Services office, at (613) 957-8109 or 1-800-959-5525,

or the Ontario Ministry of Finance, Retail Sales Tax Branch, at (613) 746-9200 or 1-800-267-9745. Registrants in the Toronto region can call the North York Tax Services office, at (416) 221-5695.

## GST/HST on sales to Indians and Indian bands

The GST/HST treatment of sales and other supplies to Indians and Indian bands is consistent with the *Indian Act*, which exempts from taxation the personal property of Indians or Indian bands situated on a reserve and their interests in reserve lands.

### Goods

Goods supplied to an Indian or Indian band are relieved of GST/HST if supplied on a reserve or, where sold off a reserve, they are delivered by the vendor or the vendor's agent to a reserve. If the goods are transported to a reserve by the purchaser, tax applies to the sale.

### Services

Services supplied to an Indian are relieved of tax if the services are performed **entirely on reserve** or they are for real property interests on a reserve. Services supplied to an Indian band for band management activities or that are for real property interests on a reserve will be relieved of tax, even when performed off reserve. However, Indian bands must pay the GST/HST on **all off-reserve** purchases of transportation, short-term accommodation, meals and entertainment.

### Documentation

An Indian must present proof of registration under the *Indian Act* to a vendor to acquire property or services without paying the GST/HST. For individuals, Revenue Canada will accept the Certificate of Indian Status card as proof of registration. This card displays the Canadian maple leaf logo, followed immediately by "Indian and Northern Affairs Canada." The certificate may also bear the photograph of the individual, a registry number (nine or ten digits),

the name of the band to which the individual belongs, and the family number.

The vendor must retain as adequate evidence a notation on the invoice or other sales document of the nine or ten digit registry number or the band name and family number (commonly referred to as the band number/treaty number).

Revenue Canada will accept as adequate evidence a certificate provided by an Indian band that the property is being acquired by the band. In the case of services, the certificate must state that the services are being acquired for band management activities.

Where goods are delivered to a reserve, the vendor must also maintain adequate evidence of delivery.

For more information, refer to Technical Information Bulletin B-039R, *GST Administrative Policy: Application of GST to Indians*, available from any Revenue Canada Tax Services office.

### Supplies in the Yukon

Effective February 15, 1998, all supplies of goods and services to Indians and Indian bands located in the Yukon became subject to the GST/HST. In addition, goods purchased by a Yukon First Nation or an Indian who is resident in the Yukon are subject to GST/HST even if the goods are delivered to a reserve outside the Yukon.

## Business registration simplified

Business Registration On-line (BRO) workstations are self-help computers located in Revenue Canada Tax Services offices which allow businesses to obtain a Business Number (BN) and register for up to four major Revenue Canada accounts: GST/HST, payroll deductions, import/export, and corporate income tax. Businesses with an existing BN can also add accounts using the workstations.

BRO workstations are easy to use, secure, and convenient. A self-explanatory system prompts users to enter required information and to complete registration within an average of 15 minutes. It is possible to complete all registration requirements in one location without waiting for service at the counter or through the mail.

To receive a BN or open a new account in the shortest time possible, some basic information is required, including:

- the BN (if one has already been assigned);
- the social insurance number for a sole proprietor, partners, or corporate directors (depending on the type of business);
- the physical and mailing addresses for the business;
- if the business is incorporated, information from the certificate of incorporation (certificate number, date of incorporation, and jurisdiction); and
- additional miscellaneous information (e.g., fiscal year end, for GST/HST; number of employees, for payroll account).

To find out more about the BRO workstations and locations, visit our web site at [www.rc.gc.ca/bro](http://www.rc.gc.ca/bro), or contact your local Tax Services office.



## Visitor Rebate Program – information for vendors

Are you aware that the Visitor Rebate Program allows your non-resident customers to obtain a refund of certain taxes paid in Canada on eligible purchases of short-term accommodation and goods that are exported within sixty days of delivery? The Visitor Rebate Program refunds the GST/HST and the Quebec and Manitoba provincial sales taxes.

To qualify for a tax refund, purchase amounts (before taxes) of eligible accommodation and goods on which non-resident visitors pay the GST/HST and provincial sales taxes must total at least CAN\$200, and each individual receipt for goods must show a purchase amount (before taxes) of at least CAN\$50. As of February 1, 1999, enhanced verification for the export of goods will be required at land borders only.

However, if you ship purchases for non-resident customers directly

to a point outside Canada, do not charge the GST/HST or the Quebec or Manitoba provincial sales taxes. In this situation, your non-resident customers will not need to claim a Visitors' Rebate.

For more information on the Visitor Rebate Program:

- refer to the Revenue Canada booklet, *Tax Refund for Visitors to Canada* (RC4031), available from any Tax Services office or the Visitor Rebate Program web page;
- access the Visitor Rebate Program web page on the Revenue Canada Internet site, at <http://www.rc.gc.ca/visitors>; or
- call the Visitor Rebate Enquiries Line, toll-free, at 1-800-668-4748, in Canada, or 1-902-432-5608, from outside Canada.

## Toll-free numbers for GST/HST account enquiries

Refund cheques,  
remittances,  
account status,  
errors on previously  
filed returns

Contact your local  
tax services office

## Status of specific rebate claims

1-800-565-9353

## What's new in publications?

### GST/HST Memoranda Series

Section 28.2	<i>Freight Transportation Services</i>
Section 28.3	<i>Passenger Transportation Services</i>
Chapter 31	<i>Objections and Appeals</i>

## Prescribed interest rates

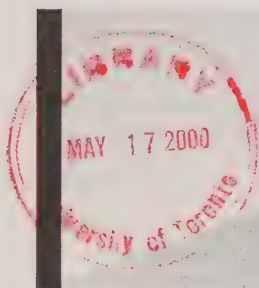
GST/HST interest and penalty compound daily. For excise duty, penalty compounds monthly, and interest compounds daily. For all other taxes noted below, penalties and interest are calculated monthly for each month or part-month in which a balance remains. The total amount payable is based on the total tax, penalties, and interest outstanding. Prescribed interest rates are adjusted every calendar quarter.

	GST/HST, FST, Air Transportation Tax, Excise Tax (annualized rates)		Excise Duty (annualized rates)	
	Interest*	Penalty	Interest	Penalty
1999	%	%	%	%
January 1 - March 31	4.8667	6.0	7.0	6.0

\*To calculate interest for GST/HST purposes only, divide the annualized rate by 365 and apply it daily.



Printed in Canada



# GST/HST News

No. 37

Summer 1999

## Contents

*Setting a New Standard: A 7-Point Plan for Fairness . . . 1*

*Prepackaging of sweetened baked goods and similar products . . . . . 2*

*Prescribed interest rates . . . . . 2*

*New mailing address for GST/HST correspondence . . 3*

*Customs information day . . . . 3*

*Supplies to federal, provincial and territorial governments . . . . . 3*

*What's new in publications . . 3*

*Coin-operated devices . . . . . 4*

*Toll-free numbers for GST/HST . . . . . 4*

## Setting a New Standard: A 7-Point Plan for Fairness

On February 9, 1999, the Minister of National Revenue issued a report called *Setting a New Standard: A 7-Point Plan for Fairness*. This document outlines a plan to enhance the Department's capacity to provide Canadians with fair treatment and outlines a series of seven specific actions that Revenue Canada will undertake to promote fairness.

The seven actions are:

1. To develop a comprehensive guide on the rights of clients.
2. To publish standards for the services the Department provides.
3. To improve communications with clients.
4. To better equip Revenue Canada employees with the ability to respond to client needs.
5. To identify unclaimed credits, benefits, and overpayments for clients.
6. To provide clients with an opportunity to correct any omissions in their past dealings with the Department without penalty.
7. To do a better job applying the existing fairness provisions that have been instituted in the past.

This plan is a result of the Department's *Fairness Initiative* which was launched in March 1998. Revenue Canada

talked to its clients, consulted its staff, and examined the fairness practices of other countries in its goal to enhance its fairness practices. The Conference Board of Canada was also asked, as an independent third party, to help collect information and analyze the opinions gathered.

Accompanying the 7-point plan is *Our Fairness Pledge*. Not only does the pledge complement the seven points presented in the plan, but it captures the spirit of the *Fairness Initiative* and reinforces the existing *Declaration of Taxpayers Rights*. It commits the Department to provide client support, accurate and understandable information, as well as timeliness, consistency, impartiality, flexibility, and accountability for its actions.

Copies of *Setting A New Standard: A 7-Point Plan for Fairness* and *Our Fairness Pledge* can be obtained from any tax services office or by calling 1-800-959-2221. This information is also available in the "What's New" section of Revenue Canada's web site at <http://www.rc.gc.ca>.

The *GST/HST News* is published quarterly and highlights recent developments in the administration of the Goods and Services Tax (GST) and Harmonized Sales Tax (HST), as well as excise taxes and duties. This publication is provided for information purposes only and does not replace law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Revenue Canada tax services office. Revenue Canada information can also be found on the Internet at <http://www.rc.gc.ca/>

Comments or suggestions about the newsletter should be sent to the Editor, *GST/HST News*, Ottawa, Ontario K1A 0L5. Please note that any changes to your name or address should be directed to your local Revenue Canada tax services offices, and not to the Editor.

ISSN 1183-689X



## Prepackaging of sweetened baked goods and similar products

The vast majority of sweetened baked goods and similar products sold for home consumption such as whole cakes, pies, or family sized packages of cookies, doughnuts or muffins are zero-rated.

However, products such as cookies, doughnuts, muffins or similar products are taxable at 7% (15% in Nova Scotia, New Brunswick and Newfoundland) where:

- the goods are *prepackaged for sale to consumers* in quantities of less than six items each of which is a single serving; or
- the goods are *not prepackaged* and are sold as single servings in quantities of less than six.

Bread products such as bagels, English muffins, raisin bread, and croissants are zero-rated regardless of the quantities in which they are packaged or sold, provided they do not have a sweetened filling or coating.

Goods are often prepackaged for sale to consumers by the manufacturer of these goods. In

most circumstances, manufacturer's packaging must meet the requirements imposed under the *Consumer Packaging and Labelling Act*. Therefore, the packaging must provide information about certain characteristics of the goods such as ingredients and net weight. Goods sold in packages which provide this information are generally considered to be "prepackaged for sale to consumers" for GST/HST purposes.

The presence of a Universal Product Code (UPC) bar, read by scanner-type point-of-sale equipment, provides evidence that a product has been prepackaged for sale to consumers. But, since UPC bars are not required under the *Consumer Packaging and Labelling Act*, an absence of one does not necessarily indicate that goods have not been prepackaged.

Some goods may have more than one level of packaging. For example, a "twelve-pack" of tarts may contain six packages of two tarts each. Such a product will be considered to be prepackaged for sale to consumers if there is

evidence that the "twelve-pack" is intended to be sold as one unit. If it is not intended to be sold as one unit, for example, if the package is designed for use as a retail display carton from which the "two-packs" are to be sold individually, then the product will not be considered to be prepackaged for sale to consumers. Both the "two-packs" when sold individually, and the "twelve-packs" will be taxable at 7% (or 15% if sold in or delivered to Nova Scotia, New Brunswick or Newfoundland).

Goods which have been bagged or boxed by a retailer for retail purposes are considered to be prepackaged for sale to consumers, provided they are bagged or boxed before they are offered for sale. Where goods are bagged or boxed at the time of sale, they are not considered to be prepackaged.

Prepackaged goods are discussed further in Memorandum 4.3 of the Memorandum Series, *Basic Groceries*.

## Prescribed interest rates

GST/HST interest and penalty compound daily. Income tax interest also compounds daily. For excise duty, penalty compounds monthly, and interest compounds daily. For all other taxes noted below, penalties and interest are calculated monthly for each month or part-month in which a balance remains. The total amount payable is based on the total tax, penalties, and interest outstanding. Prescribed interest rates are adjusted every calendar quarter.

Please note the addition of income tax interest rates to this table. These rates will continue to be included in this table in the future.

	GST/HST, FST, Air Transportation Tax, Excise Tax (annualized rates)		Excise Duty (annualized rates)		Income Tax (annualized rates)	
	Interest*	Penalty	Interest	Penalty	Refund Interest	Arrears and Instalment Interest
1999	%	%	%	%	%	%
January 1 - March 31	4.8667	6.0	7.0	6.0	7.0	9.0
April 1 - June 30	4.8132	6.0	7.0	6.0	7.0	9.0

\*To calculate interest for GST/HST purposes only, divide the annualized rate by 365 and apply it daily.

## New mailing address for GST/HST correspondence

Throughout 1999, Revenue Canada will be redistributing its tax centre workloads to make it easier for our clients to do business with us. The address of the tax centre to which you should send your GST/HST returns and remittances will be printed on the back of the forms that we send to you.

## Customs information day

Revenue Canada will host a Customs Information Day for importers, exporters, and the public on **Saturday, June 19, 1999**, from 9:00 a.m. to 4:30 p.m. at the Vancouver Convention and Exhibition Centre, 999 Canada Place, Vancouver, British Columbia. For more information call toll-free at 1-877-399-2233.

## Supplies to federal, provincial and territorial governments

Registrants making supplies to federal, provincial or territorial governments should be aware of which government entities do not have to pay the GST/HST on their purchases.

### Federal government

The federal government, including its departments, branches and agencies, pays the GST/HST on its taxable purchases. Registrants making taxable supplies to the federal government must collect and remit the GST/HST in the same manner they do for taxable supplies made to other customers.

### Provincial governments

#### Participating provinces

The governments of Nova Scotia, New Brunswick and Newfoundland and Labrador, the "participating provinces", including their departments, branches and agencies, have agreed to pay the GST/HST on their taxable purchases. Therefore, registrants will collect GST/HST on taxable supplies that are made to these governments in the same manner as they would on supplies made to other customers.

#### Non-participating provinces and territorial governments

Purchases made by all other provincial governments and the three territorial governments, Northwest Territories, Nunavut Territory and the Yukon Territory, (the "non-participating provinces") are *not* subject to the GST/HST. Lists of the government entities, including departments, Crown corporations, boards, commissions and agencies, that are eligible to make purchases without paying tax are available at your local tax services office.

A non-participating province may issue a certificate with its purchase orders or include a certification clause in its other purchase documents. These certificates are used as evidence that the supply is being purchased by the province or territory and therefore not subject to the GST/HST. The registrant should keep the purchase documents with the certificate for audit purposes.

When a provincial or territorial government entity purchases supplies on a regular basis from a registrant, there are often no physical purchase documents issued for each individual transaction. In these situations, the

government entity may use a "blanket certificate" or a blanket certification clause in its purchase order. These certificates or certification clauses are simply expanded to define the group of purchases.

Purchases made by government employees *in the employee's own name* in the course of official business are subject to the GST/HST. Examples of these types of purchases include:

- reimbursable costs of transportation, meals, accommodation, taxi services and incidental expenses incurred by an employee while on travel status;
- purchases by employees that are reimbursed through petty cash; and
- credit card purchases made with a credit card for which the employee is liable.

Registrants are entitled to claim input tax credits for any GST/HST paid or payable on the purchases used to make taxable supplies to federal, provincial and territorial governments.

## What's new in publications

- |            |  |
|------------|--|
| RC4028 (E) | <i>GST/HST New Housing Rebate</i>                          |
| RC4081 (E) | <i>GST/HST Information for Non-Profit Organizations</i>    |
| RC4149 (E) | <i>Setting a New Standard: A 7-Point Plan for Fairness</i> |



## Coin-operated devices

The *Coin-Operated Devices Remission Order* was approved on March 4, 1999, granting tax relief to GST/HST registrants who made supplies through certain coin-operated devices.

As indicated in the GST/HST News #28 Spring 1998 edition, although the *Excise Tax Act* was amended to provide that the tax payable on supplies made on or after April 24, 1996 through these devices is equal to zero, the Tax Court of Canada ruled that tax should not have applied to such supplies made before that date. The Remission Order provides for a remission of the tax payable (and related interest and penalties paid) on such supplies made between January 1, 1991 and April 23, 1996, that would otherwise be unrecoverable due to the expiration of statutory time limits. This retroactive relief therefore ensures a consistent tax treatment for registrants who made these supplies during this period.

The Remission Order applies to supplies made through a mechanical coin-operated device that is designed to accept only a single coin of 25 cents or less, as the total amount payable for the good that is dispensed from the device or the service that is rendered through the operation of the device. These are referred to as "eligible supplies".

Coin-operated devices that **do not** qualify for relief under the Remission Order include:

- devices that can make a supply for total consideration of more than 25 cents even if they can also make a supply for consideration of 25 cents or less, e.g., coin-operated laundry machines that can make a continuous supply of drying time for consideration of more than 25 cents or coin-operated games for which play can continue for additional consideration;

- devices that accept coins of a denomination exceeding 25 cents (e.g. \$1 or \$2 coins);
- devices that accept more than one coin as the consideration for the supply; and
- devices that are activated by a token, a magnetized card, or anything other than a coin.

The amount that you may recover under the Remission Order is equal to the difference between the net tax that you accounted for including tax on eligible supplies, and the amount that your net tax would have been had you not been required to account for tax on those supplies.

For example, you may have accounted for tax on eligible supplies in your net tax remitted for the reporting period of January 1, 1991, to March 31, 1991, as follows:	
Tax collectible on eligible supplies	\$ 60
Tax collectible on other supplies	\$ 40
Total tax collectible for the reporting period	\$ 100
Less input tax credits claimed	(\$ 25)
Net tax	<u>\$ 75</u>

Your net tax excluding the tax on eligible supplies would have been \$15 (\$40 tax collectible less \$25 in ITCs). You would therefore be able to recover a total of \$60 (\$75 - \$15) under the Remission Order.

To make a claim under this Remission Order you are required to file a *General Application for Rebate of Goods and Services Tax (GST)/Harmonized Sales Tax (HST)*, form GST189. You must file by March 5, 2001 and should clearly indicate on the form that the application relates to this Remission Order. Please send your rebate application to the Summerside Tax Centre at the

address provided on the form. Form GST189 is available at any tax services office.

If you have already filed a rebate application within statutory time limits to recover amounts accounted for in respect of eligible supplies, you must file a separate rebate application under the Remission Order to recover amounts not included in the previously filed application (i.e., amounts accounted for prior to the period covered by the earlier claim).

If you continued to account for tax on eligible supplies made after April 23, 1996, you may file a separate rebate application for these amounts.

## Toll-free numbers for GST/HST

refund cheques  
remittances  
account status  
errors on previously  
filed returns

1-800-959-5525

or

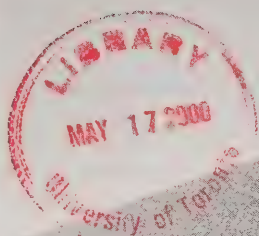
contact your local  
tax services office

## Status of specific rebate claims

1-800-565-9353



Printed in Canada



# GST/HST News

No. 34

Fall 1999

## Contents

Notice of Ways and Means Motion .....	1
Vocational courses .....	2
Barter exchange networks. . . .	3
New address for GST/HST Rulings and Interpretations Directorate .....	3
Volunteer fire organizations . .	3
Prescribed interest rates .....	4
New mailing address for GST/HST returns .....	4
What's new in publications . .	4
Better cash flow and new payment options for Nova Scotia businesses. ....	4
GST/HST Enquiries .....	4

## Notice of Ways and Means Motion

A Notice of Ways and Means Motion to amend the *Excise Tax Act* was tabled in the House of Commons on June 4, 1999. The Motion reintroduces and refines measures previously announced on March 20, 1997, November 26, 1997, August 7, 1998, October 8, 1998, December 10, 1998, and January 9, 1999 relating to GST/HST and supersedes earlier motions pertaining to the same measures.

This Notice of Ways and Means received first reading as Bill C-88 on June 11, 1999. Although most of the proposed amendments contained in this Bill were previously announced, it also introduces several new measures in the area of tax administration and enforcement.

The GST/HST measures proposed in Bill C-88 are principally aimed at improving the operation of the tax and ensuring that the legislation accords with the policy intent. In some cases, adjustments have been made to the proposed legislation in response to representations from the tax and business communities.

The proposed legislation includes changes in the following areas:

- **Oil, Gas, and Electricity Industries:** to ease compliance and avoid taxing exports.
- **Non-Residents and Cross-Border Transactions:** to enhance the visitor rebate program by extending existing relieving provisions for the convention industry and extending the rebate to certain campsite rentals; zero-rate air navigation services in relation to international flights; and refine the rules for exports by common carriers.
- **Business Arrangements:** to improve the rules relating to barter clubs, direct sellers, closely related groups that include Canadian partnerships, promotional allowances, patronage dividends, sale-leaseback arrangements, and meal and entertainment expenses.
- **HST-Related Provisions:** to refine transitional rules and other special rules relating specifically to the HST.

(continued on page 2)

**On November 1, 1999, Revenue Canada will begin operations as the Canada Customs and Revenue Agency.**

The *GST/HST News* is published quarterly and highlights recent developments in the administration of the Goods and Services Tax (GST) and Harmonized Sales Tax (HST), as well as excise taxes and duties. This publication is provided for information purposes only and does not replace law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Revenue Canada tax services office. Revenue Canada information can also be found on the Internet at <http://www.rc.gc.ca/>. Comments or suggestions about the newsletter should be sent to the Editor, *GST/HST News*, Ottawa, Ontario K1A 0L5. Please note that any changes to your name or address should be directed to your local Revenue Canada tax services offices, and not to the Editor.

ISSN 1183-689X



## Notice of Ways and Means Motion – cont'd

- **Financial Services:** to refine provisions applicable to investment plans and segregated funds, construction performance bonds, precious metal refiners, and sales of accounts receivable and the deemed trust for GST/HST collected.
- **Real Property:** to specify rules affecting builders of multiple unit residential complexes situated on leased land including clarification of references to "lease" in respect of land; to specify rules exempting supplies made by a condominium corporation and supplies of parking spaces when these supplies are related to detached single residential condominium units.
- **Health:** to provide a rebate of tax in respect of the cost of specially equipping motor vehicles for individuals with disabilities; exempt respite care services; maintain the exemption for speech therapy services until the end of the year 2000; and ensure that osteopathic services are exempt.
- **Charities and Public Service Bodies:** to enhance the fairness of the tax as it applies to charities; refine the streamlined accounting method for charities; and provide for a partial rebate of the provincial component of the HST to selected public service bodies in Newfoundland and Labrador that are also charities, public institutions, or qualifying non-profit organizations.
- **Provincial Gaming Authorities and Other Provincial Crown Agents:** to clarify the special rules for determining the net tax of provincial gaming authorities; and allow certain provincial Crown agents to use the same capital property rules as those that apply to public service bodies.

- **Administration and Enforcement:** to ease compliance in certain areas; harmonize similar rules under the different tax statutes; clarify the allowable use by Revenue Canada of third-party information and the Crown's ability to advance alternative arguments in support of an assessment on an appeal; and ensure that the garnishment provisions apply to payments by a province to a tax debtor.

A copy of the News Release, Bill C-88, the Explanatory Notes to the Bill, and other related technical information can be found on the Department of Finance web site ([www.fin.gc.ca](http://www.fin.gc.ca)) under "News Releases and Speeches". Should you wish to discuss any of these proposed amendments as they relate to your business, please contact your local tax services office.

### Vocational courses

The *Excise Tax Act* allows vocational schools, school authorities, universities or public colleges ("educational institutions") to provide courses exempt of GST/HST where the courses lead to certificates, diplomas, licences or similar documents that attest to the competence of individuals to practise or perform a trade or vocation, and all other prescribed criteria are met.

There are three criteria established by the Act, each of which must be met in order for a supply of instruction to be exempt:

- (1) the supply by the educational institution must be in respect of courses leading to certificates, diplomas, licences or similar documents;
- (2) the competency gained by the students must relate to a trade or vocation (whether a course

relates to a trade or vocation is a question of fact, but generally, courses in sport, games, hobbies, recreational or cultural pursuits, or courses designed for personal interest are excluded); and

- (3) the certificate, diploma, licence or similar document must attest to the competence of the students to practise the trade or vocation.

Generally, an individual course is considered by the Department to meet the "attest to the competence" criterion if the course is offered as a credit in a full-time program offered by the same institution on a pass/fail basis. Alternatively, where the course is not part of a full-time program, it is considered to attest to the competence of individuals to practise or perform a trade or vocation if it is offered on a pass/fail basis. In both instances, the pass/fail assessment must be based on an evaluation of the student's performance on a single, or series of, tests, graded materials or projects.

Preparatory courses for federally or provincially administered licences are considered to meet the "attest to the competence" criterion where: (i) the course is required by legislation; or (ii) the certificate issued by an educational institution in relation to the course is accepted by a federal or provincial licensing body in lieu of taking the federally or provincially administered licensing examination; or (iii) the course meets the requirements for individual courses outlined above.

Further information on vocational courses can be found in Policy Statement P-231, *Courses that Qualify for Exemption Pursuant to Section 8 of Part III of Schedule V to the Excise Tax Act*, available from your local tax services office.

## Barter exchange networks

A “barter exchange network” is a group of persons who have agreed in writing to accept credits (barter units) on accounts of the group members, in exchange for property or services traded among members. The accounts are maintained by an “administrator”, who is responsible for administering, maintaining, or operating a system of members’ accounts to which barter units may be credited.

Members of designated barter exchange networks who are registrants must continue to charge tax on their taxable supplies of the property or services provided for barter units. The tax on such property or services is calculated on the exchange value of the barter units accepted as consideration. However, proposed amendments to the GST/HST legislation provide for the “designation” of barter exchange networks and the GST/HST treatment of transactions involving barter units, relieving members from paying tax on barter units accepted in exchange for their supplies of property or services.

If the barter exchange network is not designated, tax is generally payable on the supply of the barter units themselves, when supplied by a registrant.

### Procedure for designation

The administrator of a barter exchange network may apply to have the network designated for purposes of the GST/HST. An application for designation will be accepted prior to Royal Assent (i.e., the day the proposed legislation becomes law) but does not take effect until then.

An application received up to six months after the date of Royal Assent may be approved with an effective date of Royal Assent, if requested, provided that the barter exchange network has been operating since that date.

If the effective date of designation of the barter exchange network is the date of Royal Assent, no tax is payable on the supply of a barter unit by a member of the network or the administrator, at any earlier time, provided that no amount of tax was actually collected on that supply of the barter unit.

A letter of application for designation must contain the following information:

- name of the barter exchange network;
- name, address, telephone number, trading name, and Revenue Canada Business Number of the administrator of the barter exchange network;
- effective date requested (this can be the date of Royal Assent of the proposed legislation or any time after);
- a copy of the standard membership agreement of the barter exchange network describing the responsibilities of the members and the administrator;
- the applicant must state that they meet the definition of “administrator” of a barter exchange network pursuant to subsection 181.3(1) of the *Excise Tax Act*; and
- a statement from the applicant that certifies that the information given in the application, and any document attached, is true, correct and complete to the best of their knowledge, and is signed by the administrator or an individual authorized to sign on behalf of the administrator.

The letter of application should be sent to: Director, Public Service Bodies and Governments, GST/HST Rulings and Interpretations Directorate, Policy and Legislation Branch, Revenue Canada, Ottawa, Ontario K1A 0L5.

Barter exchange network administrators will be notified in writing as soon as their designations are in effect.

## New address for GST/HST Rulings and Interpretations Directorate

The headquarters offices for the GST/HST Rulings and Interpretations Directorate, Policy and Legislation Branch, Revenue Canada have moved to Place de Ville, Tower A, 320 Queen Street, Ottawa, Ontario K1A 0L5.

## Volunteer fire organizations

Most fire protection services are provided by municipalities and are exempt from the GST/HST. In some municipalities, however, and particularly in areas without municipal structures, fire protection services are provided by volunteer fire organizations.

Volunteer fire organizations such as volunteer fire co-ops and departments are created by groups of individuals to provide fire protection services in areas without municipal structure. To ensure that the supply of fire protection services by volunteer fire organizations is exempt from tax, these organizations will be eligible to be determined as municipalities for GST/HST purposes.

This determination also entitles these organizations to the 57.14% municipal rebate with respect to the GST/HST paid on their purchases needed to provide these services.

If you are a volunteer fire organization and wish to be determined a municipality, please write to: Director, Public Service Bodies and Governments, GST/HST Rulings and Interpretations Directorate, Policy and Legislation Branch, Revenue Canada, Ottawa, Ontario K1A 0L5.

Municipalities in areas served by volunteer fire organizations should notify them that they may request to be determined as a municipality.



## Prescribed interest rates

**G**ST/HST interest and penalty compound daily. Income tax interest also compounds daily. For excise duty, penalty compounds monthly, and interest compounds daily. For all other taxes noted below, penalties and interest are calculated monthly for each month or part-month in which a balance remains. The total amount payable is based on the total tax, penalties, and interest outstanding. Prescribed interest rates are adjusted every calendar quarter.

	GST/HST, Air Transportation Tax, Excise Tax (annualized rates)		Excise Duty (annual rates)		Income Tax (annual rates)	
	Interest*	Penalty	Interest	Penalty	Refund Interest	Arrears and Instalment Interest
1999	%	%	%	%	%	%
January 1 – March 31	4.8667	6.0	7.0	6.0	7.0	9.0
April 1 – June 30	4.8132	6.0	7.0	6.0	7.0	9.0
July 1 – September 30	4.7609	6.0	7.0	6.0	7.0	9.0

\* To calculate interest for GST/HST purposes only, divide the adjusted annual interest rate by 365 and apply it daily.

## New mailing address for GST/HST returns

**S**ince June 7, 1999, GST/HST returns of registrants of the Regina, Vancouver, Vancouver Island, Burnaby-Fraser, Northern B.C. and Yukon and Southern Interior B.C. tax services offices have been processed by the Surrey Tax Centre.

Over the next year, Shawinigan, Winnipeg, Sudbury, and St. John's

tax centres will begin processing GST/HST returns, in addition to the Summerside and Surrey tax centres. The address of the tax centre to which you should send your GST/HST returns and remittances is printed on the back of the forms you receive. Please note this address for your future reference.

## GST/HST Enquiries

To make enquiries regarding your GST/HST account please refer to your telephone directory under the Government of Canada listings for Revenue Canada, Business Enquiries or call

1-800-959-5525.

## What's new in publications

### GST/HST Memoranda Series

Memorandum 17.10 *Tax Discounters*

Chapter 15 *Books and Records*

### GST/HST Guides

RC4103 (E) *GST/HST Information for Non-Resident Suppliers of Publications*

RC4031 (E) *Tax Refund for Visitors to Canada*

RC4052 (E) *GST/HST Information for the Construction Industry*

To make enquiries regarding the status of specific GST/HST rebate claims call

1-800-565-9353.

## Better cash flow and new payment options for Nova Scotia businesses

**S**tarting in January 2000, employers in Nova Scotia will find it easier to report payroll information and pay their Nova Scotia Workers' Compensation Board (WCB) assessment premiums. A partnership between the WCB of Nova Scotia and Revenue Canada, will allow employers to base their WCB assessment premiums on actual payrolls, and pay those premiums at the same time and in the same way they pay their federal payroll deductions to Revenue Canada. Nova Scotia employers should look for an information package in the mail from the WCB of Nova Scotia this fall.



Printed in Canada



## GST/HST News

No. 35

Winter 1999 - 2000

### Contents

*The Canada Customs and  
Revenue Agency . . . . . 1*

*More services for GST/HST  
registrants . . . . . 1*

*Vocational schools . . . . . 2*

*First Nations Tax (FNT) . . . . . 2*

*Passenger transportation . . . . . 3*

*Tax status of flying time . . . . . 3*

*New address for your tax  
centre . . . . . 3*

*Prescribed interest rates . . . . . 4*

*What's new in publications . . . 4*

*GST/HST enquiries . . . . . 4*

*Customs information day . . . . 4*

### The Canada Customs and Revenue Agency

On November 1, 1999, Revenue Canada became the Canada Customs and Revenue Agency (CCRA). Our mission remains unchanged; becoming the CCRA does not change our responsibilities and obligations to Canadians. We will continue to be accountable to the Minister of National Revenue and Parliament, and our employees will remain members of the Public Service of Canada.

However, now that we are structured to operate as an agency, we can do more to improve our services to the public. Agencies have more freedom to develop new ways of doing business and tailoring their services to meet the needs and expectations of their clients.

A new Board of Management will guide the organization and development of the Agency. It consists of 15 members, 11 of whom are nominated by the provinces and territories. These individuals come from the private and voluntary sectors. They will bring the priorities and concerns of Canadians directly into the management of the CCRA, providing new insight and new ideas that will help us do a better job improving services to you.

As an agency, we can explore new partnerships with the provinces and territories to streamline the collection of taxes and premiums. In the future, this could help reduce the number of times individuals and businesses have to provide information to different levels of government.

Our values – integrity, professionalism, respect, and cooperation – will continue to guide our organization. We remain committed to protecting your privacy and to ensuring that you are treated at all times with fairness and respect.

### More services for GST/HST registrants

If your business operates in Nova Scotia, you can now apply for a Workers' Compensation Board of Nova Scotia account, initiate a business name reservation in Nova Scotia, and obtain applications for various Nova Scotia business licences and permits on Business Registration On-line (BRO) workstations in CCRA offices across the country. These new services, when added to those already available at the workstations (registration for Business Number (BN), GST/HST, corporate income tax, payroll deductions and import/export) allow businesses to access both federal and provincial services in one easy step.

CCRA is working with other provinces and federal departments to offer expanded single-transaction services for business.

The *GST/HST News* is published quarterly and highlights recent developments in the administration of the Goods and Services Tax (GST) and Harmonized Sales Tax (HST), as well as excise taxes and duties. This publication is provided for information purposes only and does not replace law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Canada Customs and Revenue Agency tax services office. CCRA information can also be found on the Internet at <http://www.ccrcc-adrc.gc.ca>

Comments or suggestions about the newsletter should be sent to the Editor, *GST/HST News*, Ottawa, Ontario K1A 0L5. Please note that any changes to your name or address should be directed to your tax services office, and not to the Editor.

ISSN 1183-689X



## Vocational schools

For the purposes of the GST/HST, a vocational school is defined as an organization that is established and is operated primarily to provide students with correspondence courses, or instruction in courses, that develop or enhance students' occupational skills.

An organization that qualifies as a vocational school may provide courses exempt of the GST/HST where certain conditions are met.

Effective for all supplies made after 1996, an organization must satisfy the following three criteria in order to be considered a vocational school:

- the organization must be *established primarily* to provide correspondence courses, or instruction in courses, that develop or enhance students' occupational skills;
- the organization must be *operated primarily* to provide correspondence courses, or instruction in courses, that develop or enhance students' occupational skills; and
- the courses must develop or enhance students' *occupational skills*.

### Established primarily

To ascertain whether an organization is "established primarily" to provide correspondence courses, or instruction in courses, that develop or enhance students' occupational skills, we will review the organization's governing documents. These documents, which include the letters patent, articles of incorporation, memoranda of agreement, by-laws, and articles should reveal the purpose for which the organization was established.

### Operated primarily

We will consider an organization to be "operated primarily" to provide correspondence courses, or instruction in courses, that develop or

enhance students' occupational skills if more than 50% of its total annual revenue is derived from tuition for courses, or may be attributed to the provision of instruction in courses, that develop or enhance students' occupational skills.

Revenue earned from the provision of property or services that are related to, or dependent on, the provision of instruction will be included in the revenue calculation to determine the primary purpose of the organization. Examples of property or services that are related to, or dependent on the provision of such instruction include the sale of textbooks and other course material to students, the lease of residential accommodation to students, locker rentals, photocopying services to students, library or lab fees, parking, and fees for the issuance of official transcripts and documents.

Grants and contributions received from government bodies to provide occupational training courses to individuals will be included in the calculation of revenues received for providing instruction to individuals.

### Develop or enhance students' occupational skills

Occupational courses must have a direct link to skills that are essential for an individual to gain or retain employment. We do not consider courses in sports, games, hobbies or other recreational or cultural pursuits, that are designed for personal interest, to be courses which develop or enhance a student's occupational skills.

More information regarding vocational schools can be found in GST/HST Policy Statement P-229, *Definition of "Vocational School" in Section 1 of Part III of Schedule V to the Excise Tax Act*. This policy statement can be found on the CCRA Internet site under Tax, Technical Publications, GST and HST, Policy Statements.

## First Nations Tax (FNT)

Following recent changes to the legislation the following amendments have been made to the First Nations Taxes across Canada.

### Westbank First Nation Tax – additional products subject to FNT

The Westbank First Nation Council has passed a by-law that imposes a 7% tax on the sale of motive fuels and alcoholic beverages sold on the Westbank First Nation reserves in British Columbia. The effective date of the tax on these products is September 1, 1999. The Westbank FNT previously applied to tobacco products only (effective February 1, 1998). The CCRA is administering this tax on behalf of the Westbank First Nation.

### Sliammon First Nation Tax (Sliammon First Nation Community Improvement Fee)

The Sliammon First Nation Council has passed a by-law that imposes a 7% tax on the sale of motive fuels and tobacco products sold on the Sliammon First Nation reserves in British Columbia. The Sliammon First Nation Council has approved this tax as the Sliammon First Nation Community Improvement Fee (SFNCIF). The effective date of the tax is September 1, 1999. The CCRA is administering this tax on behalf of the Sliammon First Nation.

The Sliammon First Nation Tax is administered similarly to the Westbank FNT and the Kamloops FNT that are currently in place.

The publication RC4072 *First Nations Tax (FNT)* provides more details about these taxes, including the definition of the products subject to FNT. It is available from any tax services office and on the CCRA Internet site under General Information, Business, GST and HST, Guides.

## Passenger transportation

On August 12, 1999 the Minister of Finance announced several proposed measures aimed at simplifying compliance with the GST/HST and reducing administrative costs for the passenger transportation sector. The proposals include:

- removing the requirement that consideration be tendered outside Canada for the zero-rating of journeys that include air travel and originate in the United States (except Hawaii) or St. Pierre and Miquelon;
- zero-rating the service of supervising an unaccompanied child when provided in connection with, and by the supply of, a zero-rated passenger transportation service;
- zero-rating the supply by a person of a service of issuing, delivering, amending, replacing or cancelling a ticket, voucher or reservation for a zero-rated passenger transportation service to be provided by the person;
- zero-rating an agent's services supplied to a person in respect of a zero-rated passenger transportation service provided by that person; and
- deeming the supply of certain services provided by a person in connection with a passenger transportation service supplied by the person as having been made in a province if the supply of the passenger transportation service is made in the province. The related services are the service of supervising an unaccompanied child and the service of issuing, delivering, amending, replacing or cancelling a ticket, voucher or reservation.

On October 8, 1999, it was further announced that all of these measures are proposed to come into effect on

January 1, 2000, rather than November 1, 1999, as originally indicated.

More information regarding these News Releases (#99-072 and #99-086) can be found on the Department of Finance Internet site at [www.fin.gc.ca](http://www.fin.gc.ca) under "News Releases, 1999" and from your tax services office.

## Tax status of flying time

As discussed in the Fall 1999 Issue of the *GST/HST News* (#34), certain supplies of courses by a vocational school are exempt from the GST/HST. Generally, the supply must be in respect of courses leading to certificates, diplomas, licences or similar documents, or classes or ratings in respect of licences, that attest to the competence of individuals to practise or perform a trade or vocation.

Federal legislation sets out the flight time requirements, and other requirements or qualifications an individual must meet in order to obtain a Commercial Pilot Licence (Aeroplane) and the Airline Transport Pilot Licence. This legislation also sets out the flight time requirements, and other qualifications, an individual must meet in order to obtain classes or ratings in respect of these licences. A rating is an authorization associated with, and forming part of, a licence, setting out special conditions, privileges or limitations attaching to the licence (e.g., night rating).

Generally, the federal legislation outlines various amounts of flight time an individual must complete in order to obtain a pilot licence or a class or rating in respect of a pilot licence. The CCRA considers this federally required flight time to fall into three main classifications: (1) dual flight time, (2) solo flight time, and (3) build-up flight time.

For the purposes of the dual flight time and solo flight time, the student is considered by the CCRA to be under instruction and direct supervision. Therefore, supplies of both dual flight time and solo flight time are usually considered exempt supplies where they are related to commercial pilot ratings or flight instructor training.

Build-up flight time refers to additional flight time that must be completed by the student, over and above the dual and solo flight time, in order to obtain a pilot licence or a class or rating in respect of a pilot licence. For the purposes of the build-up flight time, the student is not considered by the CCRA to be under instruction and direct supervision. Therefore, the supply of build-up time is considered a taxable supply, even where it is related to commercial pilot ratings or flight instructor training.

This administrative policy is effective April 1, 1997 with respect to HST, and January 1, 1991 with respect to GST.

For more detailed information please consult the Policy Statement P-034R, *Tax Status of Flying Time Pursuant to Section 8 of Part III of Schedule V to the ETA*. This policy statement can be found on the CCRA Internet site under Tax, Technical Publications, GST and HST, Policy Statements.

## New address for your tax centre

Throughout 1999 and early 2000, the Canada Customs and Revenue Agency will be redistributing its tax centre workloads to make it easier for our clients to do business with us. If you file your returns by mail, the address of the Tax Centre to which you should send your GST/HST returns and remittances will be printed on the back of the forms that we send to you.



## Prescribed interest rates

**G**ST/HST interest and penalty compound daily. Income tax interest also compounds daily. For excise duty, penalty compounds monthly, and interest compounds daily. For all other taxes noted below, penalties and interest are calculated monthly for each month or part-month in which a balance remains. The total amount payable is based on the total tax, penalties, and interest outstanding. Prescribed interest rates are adjusted every calendar quarter.

	GST/HST, Air Transportation Tax, Excise Tax (annual rates)		Excise Duty (annual rates)		Income Tax (annual rates)	
	Interest*	Penalty	Interest	Penalty	Refund Interest	Arrears and Instalment Interest
1999	%	%	%	%	%	%
January 1 – March 31	4.8667	6.0	7.0	6.0	7.0	9.0
April 1 – June 30	4.8132	6.0	7.0	6.0	7.0	9.0
July 1 – September 30	4.7609	6.0	7.0	6.0	7.0	9.0
October 1 – December 31	4.7609	6.0	7.0	6.0	7.0	9.0

\*To calculate interest for GST/HST purposes only, divide the adjusted annual interest rate by 365 and apply it daily.

## What's new in publications

### GST/HST Memoranda Series

Memorandum 3.1	<i>Liability for Tax</i>
Memorandum 17.6	<i>Definition of "Listed Financial Institution"</i>
Memorandum 17.9	<i>Insurance Agents and Brokers</i>
Memorandum 19.4.1	<i>Commercial Real Property – Sales and Rentals</i>
Memorandum 19.4.2	<i>Commercial Real Property – Deemed supplies</i>

### GST/HST Technical Information Bulletins

B- 086	<i>Rebate for Specially-Equipped Vehicles for Persons with Disabilities</i>
--------	---

### GST/HST Guides

RC4034(E)	<i>GST/HST Public Service Bodies' Rebate</i>
-----------	--

Lists of current publications can also be found on the CCRA Internet site at [www.ccra-adrc.gc.ca](http://www.ccra-adrc.gc.ca) under Tax in either the Business or Technical Publications sub-headings.

## Customs information day

**T**he Canada Customs and Revenue Agency (CCRA) is hosting a Customs Information Day for importers, exporters, and the travelling public on Saturday, January 15, 2000, from 9:00 a.m. to 4:00 p.m. at the Ameri-Cana Resort and Conference Centre, Niagara Falls, Ontario.

The information day will feature more than 20 booths representing the CCRA, other Canadian federal agencies and departments, US Customs Service, US Immigration and Naturalization Service, and private-sector associations.

Admission and parking for this event will be free. Seminar space is limited. For more information, call toll free 1 (888) 790-5553, fax (905) 308-8616, or visit the CCRA Internet site at: [www.ccra-adrc.gc.ca/events](http://www.ccra-adrc.gc.ca/events), or write to Canada Customs and Revenue Agency; Client Services Unit; P.O. Box 2989; Hamilton, Ontario L8N 3V8

## GST/HST enquiries

To make enquiries regarding your GST/HST account please refer to your telephone directory under the Government of Canada listings for Revenue Canada, Business Enquiries or call

1-800-959-5525

To make enquiries regarding the status of specific GST/HST rebate claims call

1-800-565-9353.



Printed in Canada



# GST/HST News

No. 36

Spring 2000

## Contents

Changes to the  
GST/HST News . . . . . 1

Ceasing to be a registrant . . . . 1

Notice of Ways and  
Means Motion . . . . . 2

Visitor Rebate Program –  
information for vendors . . . . 3

New business avenue for  
registrants . . . . . 3

Excise tax corner . . . . . 3

What's new in publications . . 4

Prescribed interest rates . . . . 4

New address for your  
tax centre . . . . . 4

GST/HST Enquiries . . . . . 4

## Changes to the GST/HST News

We are changing the way we publish the *GST/HST News*. We will be publishing an **annual** paper version of the newsletter at the end of each calendar year and, starting with the Summer 2000 issue of the *News*, an electronic version for each of the remaining three quarters (Spring, Summer, and Fall).

The annual edition of the *News* will cover, in summary form, the same technical issues discussed in the quarterly electronic issues of the year, and will be delivered in December to all registrants. For the remaining three quarters, we will be publishing the newsletter electronically and making it available on the Internet on the Canada Customs and Revenue Agency (CCRA) web site at [www.ccra-adrc.gc.ca](http://www.ccra-adrc.gc.ca) under the sub headings Tax, Business, GST/HST, or by going directly to the following address: [www.ccra-adrc.gc.ca/menu/EmenuKOA.html](http://www.ccra-adrc.gc.ca/menu/EmenuKOA.html).

This change is a result of cost saving initiatives by the CCRA and also responds to registrants' concerns with the paper burden of a quarterly publication.

Look for the next *GST/HST News* on the CCRA Internet site around mid-June.

## Ceasing to be a registrant

If you are a small supplier (other than a person who is carrying on a taxi business), or you decide to close your business, or stop making taxable supplies, and you no longer need to be registered for the GST/HST, you can request to cancel your registration. However, you may have to remit GST/HST on capital property used in your commercial activities, and on other property you have *on hand* when you cancel your registration.

When cancellation occurs, you continue to be responsible for filing all GST/HST returns, and remitting any GST/HST collected or collectible on taxable supplies while a registrant.

### Non-capital property held at the time of de-registration

When you cease to be a registrant, you are considered to have sold each property (other than your capital property) held by you for consumption, use or supply in a commercial activity and to have collected GST/HST on such sales. The amount of GST/HST you are considered to have collected is calculated on the fair market value of each of these properties immediately before you cease to be a registrant. You are required to

*cont'd page 2*

The *GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), as well as excise taxes and duties. This publication is provided for information purposes only and does not replace law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Canada Customs and Revenue Agency tax services office. CCRA information can also be found on the Internet at <http://www.ccra-adrc.gc.ca>

Comments or suggestions about the newsletter should be sent to the Editor, *GST/HST News*, Ottawa, Ontario K1A 0L5. Please note that any changes to your name or address should be directed to your tax services office, and not to the Editor.

ISSN 1183-689X



cont'd from page 1

account for this GST/HST amount on your last return as a registrant.

#### Capital property held at the time of de-registration

Upon ceasing to be a registrant, where you were using capital property (such as land, buildings, vehicles and computers) in your commercial activity, you are considered to have ceased using that property in your commercial activity immediately before ceasing to be a registrant. As a result, the "change-in-use rules" may be invoked. Under these rules, you are considered to have sold the capital property immediately before ceasing to be a registrant, and you are considered to have collected tax equal to the "basic tax content" of the capital property at that time.

The "basic tax content" of your capital property is generally the amount of GST/HST that you were required to pay on the property and improvements, after deducting any amounts (other than input tax credits) that you were entitled to recover by rebate, remission, or otherwise, and after taking into account any depreciation in the value of the property.

Finally, you are required to account for the tax you are considered to have collected in your net tax calculation on your last return as a registrant. As a result of these rules, the input tax credits previously claimed on such property will generally be recaptured. For information on the change-in-use rules and on calculating basic tax content, contact your tax services office.

#### Input tax credits for services, rent, royalties and similar payments

You are eligible to claim input tax credits on GST/HST that becomes payable after you cease to be a registrant, provided the GST/HST payable is for services that were supplied to you before you cease to be a registrant. In addition, you can

claim input tax credits for the GST/HST that becomes payable after you cease to be a registrant provided the GST/HST payable is for rent, royalties or similar payments that are attributable to a period before you cease to be a registrant.

In the case of pre-paid arrangements, you will be required to make an adjustment ("add-back" of input tax credits) to your net tax calculation on your final return to the extent that you have claimed input tax credits for the GST/HST paid or payable on services to be provided to you after you cease to be a registrant, or for rent, royalties or similar payments that are attributable to a period, after you cease to be a registrant.

Please note that these general rules for persons ceasing to be a registrant do not apply to taxi operators. Please discuss the special rules for taxi operators with your tax services office.

#### Final reporting period as a registrant

When you cease to be a registrant, your final reporting period as a registrant is considered to end immediately before the day you cease to be a registrant. For example, suppose that your fiscal year is May 1, 2000, to April 30, 2001; you usually report on a quarterly basis; and you cease to be a registrant on September 23, 2000. Your final reporting period as a registrant would be August 1 to September 22, 2000.

Should you wish to cancel your registration contact your tax services office, or use Form GST11, *Request for Cancellation of Registration*, which can be obtained from your tax services office, or downloaded online at the CCRA Internet site at [www.ccra-adrc.gc.ca](http://www.ccra-adrc.gc.ca) under the headings Forms and Publications, All Forms, sub-heading A to S, or by going directly to the following address: [www.ccra-adrc.gc.ca/E/pbg/gf/gst11ep/README.html](http://www.ccra-adrc.gc.ca/E/pbg/gf/gst11ep/README.html).

## Notice of Ways and Means Motion

A Notice of Ways and Means Motion to amend the *Excise Tax Act* and other acts was tabled in the House of Commons on December 2, 1999. The Motion reintroduces measures tabled in the House of Commons on June 4, 1999, (Bill C-88), along with new measures announced on August 12, and October 8, 1999.

The proposed legislation includes some refinements and additions to previously announced measures such as multi-employer pension plans, sales of accounts receivable, charities, and penalties for false statements or omissions.

A copy of the News Release, Background, Motion, and Explanatory Notes can be found on the Department of Finance web site at [www.fin.gc.ca](http://www.fin.gc.ca) under News Releases and Speeches or by going directly to the following address: [www.fin.gc.ca/newse99/99-104e.html](http://www.fin.gc.ca/newse99/99-104e.html). Should you wish to discuss any of these proposed amendments as they relate to your business, please contact your tax services office.

## Visitor Rebate Program – information for vendors

As tourist season approaches, the CCRA would like to remind you that the Visitor Rebate Program allows your non-resident customers to obtain a refund of certain taxes paid in Canada on eligible purchases of short-term accommodation and goods that are exported within sixty days after delivery. The Visitor Rebate program refunds the GST/HST and the Quebec provincial sales tax.

To qualify for a tax refund, purchase amounts (before taxes) of eligible accommodation and goods on which non-resident visitors pay the GST/HST and provincial sales taxes must total at least CAN\$200, and each individual receipt, in the case of a refund for goods, must show a purchase amount (before taxes) of at least CAN\$50 for eligible goods. Since February 1, 1999, enhanced verification for the export of goods is required at land borders only.

However, if you ship purchases for non-resident customers directly to a point outside Canada, you do not charge the GST/HST or the Quebec provincial sales tax. In this situation, your non-resident customers cannot claim a Visitors' Rebate.

For more information on how GST/HST applies to tourism, conventions, and the Visitor Rebate Program:

- access the Visitor Rebate Program web page on the CCRA Internet site, at [www.ccra-adrc.gc.ca/visitors](http://www.ccra-adrc.gc.ca/visitors);
- refer to the CCRA booklet, *Tax Refund for Visitors to Canada* (RC4031), available from any tax services office or the Visitor Rebate Program Internet site;

- write to: Visitor Rebate Program, Summerside Tax Centre, Summerside PEI, C1N 6C6; or
- e-mail your questions to the Visitor Rebate Program at [visitors@ccra-adrc.gc.ca](mailto:visitors@ccra-adrc.gc.ca).

## New business avenue for registrants

CCRA and Contracts Canada (a partnership of 23 federal government departments and agencies) are making it easier for businesses to sell goods and services to federal government departments and agencies. Businesses merely need to register themselves in the new Supplier Registration Information (SRI) database to identify themselves as potential suppliers of such goods and services. They will receive a 15-digit procurement number based on their Business Number (BN), which Contracts Canada obtains from the CCRA and e-mails to the business.

SRI can be searched by government buyers in all federal departments and agencies who wish to purchase goods and services via a low-dollar-value contract. This is especially beneficial to suppliers that do not have the resources to seek out government contracts. SRI will also be used as a central registration point that other government purchasing systems can access, thus reducing the need for businesses to provide their "tombstone" information to other purchasing systems. Businesses, including those that already have a GST/HST number, can register in the SRI database, free of charge, at: [www.contractsCanada.gc.ca](http://www.contractsCanada.gc.ca)

## Excise tax corner

Excise tax is levied on goods such as wine, tobacco products, heavy automobiles, automotive air conditioners, gasoline, diesel fuel, and jewellery. Whenever these products are imported into Canada or manufactured or produced in Canada and delivered to a purchaser, an excise tax is levied.

Liability for the tax rests with the manufacturer or producer, importer, or licensed wholesaler of the goods. Manufacturers or producers whose sales of goods subject to excise tax exceed \$50,000 per calendar year, must be licensed and must remit excise tax on sales that are made under taxable condition.

Manufacturers or producers are considered to be persons who physically manufacture these products themselves, who have goods further manufactured on their behalf by another person while retaining title or right to the goods, or who marginally manufacture the goods. A marginal manufacturer is a person who prepares goods for resale by assembling, mixing, blending, diluting, cutting to size, bottling, packaging or repackaging the goods, or applying coatings or finishes to the goods.

If you are involved in any of the above industries you may want to contact your tax services office for further information pertaining to your obligations and entitlements in these areas.



## What's new in publications

### GST/HST Guides

RC4034 – revised	<i>GST/HST Public Service Bodies' Rebate</i>
RC4049	<i>GST/HST Information for Municipalities</i>
RC4091	<i>GST/HST Rebate for Partners</i>

Current publications can be found on the CCRA Internet site at [www.ccra-adrc.gc.ca](http://www.ccra-adrc.gc.ca) under Tax in either the Business or Technical Publications sub-headings or by going directly to the following addresses: [www.ccra-adrc.gc.ca/menu/EmenuHDA.html](http://www.ccra-adrc.gc.ca/menu/EmenuHDA.html) for guides, pamphlets, forms, and the *GST/HST News*, or at [www.ccra-adrc.gc.ca/menu/EmenuKZW.html](http://www.ccra-adrc.gc.ca/menu/EmenuKZW.html) for GST/HST Memoranda, Technical Information Bulletins, Policy Papers, Notices and Questions and Answers.

## Prescribed interest rates

**G**ST/HST interest and penalty compound daily. Income tax interest also compounds daily. For excise duty, penalty compounds monthly, and interest compounds daily. For all other taxes noted below, penalties and interest are calculated monthly for each month or part-month in which a balance remains. The total amount payable is based on the total tax, penalties, and interest outstanding. Prescribed interest rates are adjusted every calendar quarter.

	GST/HST, Air Transportation Tax, Excise Tax (annual rates)		Excise Duty (annual rates)		Income Tax (annual rates)	
	Interest*	Penalty	Interest	Penalty	Refund Interest	Arrears and Instalment Interest
2000	%	%	%	%	%	%
January 1 – March 31	4.8264	6.0	7.0	6.0	7.0	9.0

\* To calculate interest for GST/HST purposes only, divide the adjusted annual interest rate by 366 (as the year 2000 is a leap year) and apply it daily.

## New address for your tax centre

**W**e have been redistributing our tax centre workloads to make it easier for our clients to do business with us. This redistribution started in 1998 and will be completed in early 2000. If you file your returns by mail, the address of the tax centre to which you should send your GST/HST returns and remittances will be printed on the back of the forms that we send to you.

## GST/HST Enquiries

To make enquiries regarding your GST/HST account please call Business Enquiries at  
1-800-959-5525.

To make enquiries regarding the status of specific GST/HST rebate claims call

1-800-565-9353.



Printed in Canada

CAI  
NR  
-G77Canada Customs  
and Revenue AgencyAgence des douanes  
et du revenu du CanadaGovernment  
Publications

Main menu

<a href="#">Français</a>	<a href="#">Site map</a>	<a href="#">Contact us</a>	<a href="#">Search</a>	<a href="#">Canada Site</a>
<a href="#">What's new</a>	<a href="#">Newsroom</a>	<a href="#">Career opportunities</a>	<a href="#">Electronic services</a>	<a href="#">Forms and publications</a>

[Forms and publications](#)

## GST/HST News

Edition #37

Summer 2000

The *GST/HST News* is published quarterly and highlights recent developments in the administration of the Goods and Services Tax (GST) and Harmonized Sales Tax (HST), as well as excise taxes and duties. This publication is provided for information purposes only and does not replace law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Canada Customs and Revenue Agency (CCRA) tax services office or call Business Enquiries at 1-800-959-5525. Comments or suggestions about the newsletter should be sent to the Editor, *GST/HST News*, Policy and Legislation Branch, CCRA, Ottawa, Ontario K1A 0L5.

ISSN 1183-689X

- [Federal Budget](#)
- [Automobile deduction limits](#)
- [Individuals claiming a GST/HST exemption](#)
- [Reminder for farmers and agri-business](#)
- [Closely related corporations vs associated corporations for purposes of the election for nil consideration](#)
- [Excise Tax Corner](#)
- [Customs Information Day](#)
- [Non-resident registrants](#)
- [New address for your tax centre](#)
- [What's new in publications](#)
- [Prescribed rates of interest](#)
- [GST/HST Enquiries](#)

### Federal Budget

The February 28, 2000 Federal Budget proposed a new Export Distribution Centre Program and a New Residential Rental Property Rebate.

### Export Distribution Centre Program

Under the Export Distribution Centre (EDC) Program, proposed to begin on January 1, 2001, authorized export orientated businesses will be able to use a certificate to acquire or import most inventory and parts, or import a customer's goods for processing, without the payment of the GST/HST.

Only GST/HST registrants whose export revenue accounts for at least 90% of their total revenue generated from activities in Canada, and that add only limited value to goods will be eligible for the EDC Program. Eligible registrants who want to use the EDC Program must apply to the CCRA for authorization. Authorizations will remain



in effect for three years, unless revoked earlier, and can be subsequently renewed.

To complement the EDC Program, the federal budget also proposed the following changes to existing measures:

- GST/HST relief extended to goods imported for warranty repair where replacement goods are exported in place of the original defective goods,
- the addition of storage services as eligible under the drop-shipment rules, and expansion of the Exporters of Processing Services Program to provide for storage and distribution activities.

More information on these topics can be found in the GST/HST guide RC4027, *Doing Business in Canada - GST/HST Information for Non-Residents* which can be found at this exact address: <http://www.cca-adrc.gc.ca/E/pub/gp/rc4027eq/rc4027eq.html>

Some Export Trading House Program rules aligned with those of the new EDC Program were also announced. Information concerning export trading houses can be found in the GST/HST Memorandum 4.5.2, *Exports - Tangible Personal Property* at this exact address <http://www.cca-adrc.gc.ca/E/pub/gm/4-5-2em/README.html>

As well, the Customs Branch announced administrative streamlining of the Duty Deferral Program. Contact a Customs Border Services office for more information regarding this program.

### **New Residential Rental Property Rebate**

The budget also proposes to introduce a New Residential Rental Property Rebate, generally equal to a maximum of 2.5 percentage points of tax, for newly-constructed, substantially renovated or converted residential rental accommodation. In the participating provinces this rebate will apply only to the federal portion of the HST. This rebate will be available in respect of rental accommodation including single unit and multiple unit rental housing, additions to multiple unit rental housing, and land leased for residential purposes, provided the rental accommodation or land is used or intended to be used as an individual's primary place of residence on a long-term basis.

The rebate will be payable to the person who paid the tax. For example, in the case of rental accommodation, the rebate will be payable to the landlord and, in the case of leased land, to the lessor. The rebate will apply to rental accommodation where the construction, substantial renovation or conversion commences after February 27, 2000. In the case of leased land, the rebate will apply where lease agreements are entered into after February 27, 2000.

The CCRA will be publishing Technical Information Bulletins with detailed information concerning these new programs in the near future. Check the CCRA Internet site for these publications.

The Budget can be found on the Department of Finance Internet site under the heading "Budget Info" or by using this exact address: [www.fin.gc.ca/budget00/toce/2000/bud2000e.htm](http://www.fin.gc.ca/budget00/toce/2000/bud2000e.htm)

### **Automobile deduction limits**

On December 13, 1999, Finance Canada issued a Press Release (99-108) announcing the new automobile expense deduction limits for the year 2000 and the prescribed rates for determining the taxable benefit on automobile operating expenses for businesses.

The ceiling for passenger vehicles for capital cost allowance purposes increases from \$26,000 to \$27,000 (plus applicable GST/HST and provincial sales taxes) for purchases after 1999, and the limit on deductible leasing costs will increase from \$650 per month to \$700 per month (plus applicable GST/HST and provincial sales taxes) for leases entered into after 1999.

The general prescribed rate used to determine the taxable benefit relating to the personal portion of automobile operating expenses paid by employers will increase from 14 cents to 15 cents per kilometre. For taxpayers employed principally in selling or leasing automobiles, the prescribed rate will increase from 11 cents to 12 cents per kilometre.

For GST/HST purposes, registrants who acquire, import, or bring into a participating province, a passenger vehicle for use as capital property in their commercial activities are not entitled to claim an input tax credit in respect of the GST/HST payable on the portion of the cost of the vehicle which exceeds the maximum capital costs for income tax purposes.

Where a registrant leases a passenger vehicle, input tax credits may be claimed in the normal manner. However, if the lease costs exceed the maximum amount deductible under the *Income Tax Act*, the input tax credit is subject to recapture.

A copy of this News Release can be found on the Department of Finance web site at [www.fin.gc.ca](http://www.fin.gc.ca) under News Releases and Speeches, or by going directly to the following address: <http://www.fin.gc.ca/newse99/99-108e.html>.

### ***Individuals claiming a GST/HST exemption***

Vendors should be aware that a number of individuals are claiming exemptions and in some cases, presenting cards, such as *Corporation Sole* and *International Humanity House* cards, in an attempt to avoid paying the GST/HST on their purchases.

Although some provinces issue exemptions from provincial sales tax to farmers, municipalities and other businesses, these **do not apply** to the GST/HST.

Please note that vendors who **do not** collect GST/HST from an individual falsely claiming to be exempt from the GST/HST, must still remit the tax that should have been collected.

The only individuals who can purchase goods and services without paying the GST/HST are Indians, under the conditions outlined below.

### **Certificate of Indian Status**

Indian individuals may qualify for tax relief under certain conditions. When these conditions are met, the CCRA accepts the *Certificate of Indian Status* card issued by



the Department of Indian Affairs and Northern Development (DIAND) as proof of Indian status.

The *Certificate of Indian Status* card displays the Canadian maple leaf logo immediately followed by "Indian and Northern Affairs Canada". The certificate card also shows:

- the person's photo;
- the person's name;
- a 9- or 10-digit registry number.

Therefore, if you are registered for the GST/HST and you supply goods or services taxable at 7% GST or 15% HST to an Indian individual, that Indian individual may be eligible for tax relief if the individual provides the *Certificate of Indian Status* card and:

- the goods are sold on a reserve, or the goods are delivered (by you or your agent) to a reserve; or
- the services (for example, haircuts, small appliance repairs) are performed totally on a reserve.

You must clearly indicate on the sales documents (i.e., invoice) the registry number, or the band name and family number (commonly referred to as the "band number or "treaty number") and you must also retain proof of delivery if the goods are delivered to the reserve (such as way bills, postal receipts, freight bills, mileage logs, dispatch records).

### **Exception**

The tax relief described above does not apply in the Yukon. Effective February 15, 1998, all supplies of goods and services to Indians and Indian bands in the Yukon became subject to the GST/HST. In addition, goods purchased by a Yukon First Nation or an Indian person resident in the Yukon are subject to GST/HST even if the goods are delivered to a reserve outside the Yukon.

For more information on this subject please consult the GST Technical Information Bulletin B-039R, *GST Administrative Policy: Application of GST to Indians*. This publication is available on the CCRA Internet site under Forms and Publications, Technical Publications - Tax, GST/HST, GST/HST Technical Information Bulletins, B 001 - B 050, or by using this exact address [www.ccra-adrc.gc.ca/E/pub/gm/b-039rem/README.html](http://www.ccra-adrc.gc.ca/E/pub/gm/b-039rem/README.html).

### **Reminder for farmers and agri-business**

Most supplies of agricultural products are zero-rated for GST/HST purposes, including fruits, vegetables, grains and most livestock when they are produced for human consumption or used to produce food for human consumption.

### **Taxable supplies**

Some agricultural products and services are taxable at 7% GST or 15% HST . These include supplies of :

## Seeds and grains

- canary seed,
- bird seed grade sunflowers,
- grain or seed mixtures prepared for use as wild bird food or as pet food,
- other seeds and grains not normally sold for human consumption or as feed for livestock which are being raised for human consumption,
- lawn seed,
- flower seeds, and
- small packets of garden seeds.

## Animals and poultry

- fur bearing animals such as fox, mink, and rabbits when sold to consumers as pets,
- horses, donkeys and mules,
- pigeons and peacocks.

## Agricultural services

- custom combining and seeding,
- feedlot services not including feed,
- transportation fees, and
- storage fees.

When producers or distributors sell taxable products or services, they must charge the GST/HST and remit it with their regular GST/HST returns unless they are a small supplier who has not voluntarily registered. Where GST/HST registrants have paid the GST/HST on purchases of taxable supplies in the course of their commercial activities, they may be entitled to an input tax credit.

Please note that the above lists are not exhaustive. For a more complete listing including the tax status of agricultural supplies, consult GST/HST Memoranda Series - 4.4 *Agriculture and Fishing* on the CCRA Internet site under the following headings: Forms and Publications, Technical Publications - Tax, GST/HST, GST/HST Memoranda Series, 4) Zero-rated supplies, or by using this exact address: [www.ccra-adrc.gc.ca/E/pub/gm/4-4em/README.html](http://www.ccra-adrc.gc.ca/E/pub/gm/4-4em/README.html).

## ***Closely related corporations vs associated corporations for purposes of the election for nil consideration***

This article briefly outlines the difference between "closely related corporations" and "associated corporations" and their eligibility to make an election for nil consideration under the *Excise Tax Act* (ETA).

Generally, section 156 of the ETA permits specified members of a closely related group of corporations to elect to treat qualifying supplies between them as if they were made for no consideration, when all the requirements of the section are met. This is done in order to help simplify tax accounting. One of the requirements of the legislation is that corporations must be closely related rather than merely associated, in order to make the election.

The concept of closely related corporations under the ETA pertains to, among other



things, the substantial common ownership of shares with full voting rights between corporations (i.e. common ownership of at least 90% of the value and number of issued and outstanding shares with full voting rights).

The concept of associated corporations deals with the common control among corporations. Generally, the ETA provides that two corporations are associated with each other if they are associated corporations under subsections 256(1) to (6) of the *Income Tax Act* (ITA). Circumstances of corporate control determine whether two corporations are associated. It is important to note that associated corporations are not necessarily closely related.

You should refer to section 128 of the ETA and GST Memorandum 17.14 for information on determining whether corporations are closely related; and section 127 of the ETA, subsections 256(1) to (6) of the ITA and Interpretation Bulletin IT64R3 for information on determining whether corporations are associated.

### ***Excise Tax Corner***

When excisable goods are purchased excise tax-paid, but are used under tax-exempt conditions, or when excisable goods are purchased tax-exempt, but are used or sold under taxable conditions, "diversion" occurs. Excisable goods normally associated with diversion include fuels, motor vehicles and tobacco products.

### **Tax Liability**

Tax liability exists in cases where the purchaser acquires the goods tax exempt and sells or uses the goods for a purpose for which the goods could not have been purchased or imported without payment of the tax. If the goods are sold to a purchaser not entitled to excise tax relief, tax is due at the time of delivery to the subsequent purchaser. If the goods are taken by the purchaser for a use that is not tax exempt (e.g., purchaser's own use) tax is due at the time of the first use.

For example, if a person acquired furnace oil exempt of excise tax and then used it to operate a vehicle, the purchaser would be liable for tax on the volume of fuel appropriated for use in the vehicle.

### **Refunds**

Where goods, other than tobacco products, are purchased excise tax paid and are subsequently used or sold under exempt conditions, refund claims may be filed with the local tax services office. Normally, claims must be filed on the prescribed form (N15) within two years of the date of the diversion and must contain sufficient documentation to support the exempt usage or sale.

For example, a construction company could purchase diesel fuel tax paid and subsequently use the fuel to run a generator that generates electricity to operate pumps at a job site.

### ***Customs Information Day***

The CCRA is hosting a Customs Information Day for importers, exporters, and the traveling public on Saturday, June 17, 2000, in Fredericton, New Brunswick. For more information visit the CCRA Internet site at [www.ccra-adrc.gc.ca/events/cidfredric-e.html](http://www.ccra-adrc.gc.ca/events/cidfredric-e.html)

## ***Non-resident registrants***

If you are a non-resident registrant (e.g., U.S. resident) without a permanent establishment in Canada, the CCRA has designated a tax services office for you to carry on business according to the geographical area of your place of business abroad.

Should you wish to register with or otherwise deal with a specific tax services office for a particular reason (e.g., the place where your tax consultant is situated or where most of your supplies will be made), you may do so. However, you must select one of the designated tax services offices for non-resident registration, and you must meet the security requirements for those non-residents who do not have a permanent establishment in Canada.

A list of the particular states and countries and the corresponding tax services offices is provided in the GST/HST Guide RC4027, *Doing Business in Canada - Information for Non-Residents* which can be found on the CCRA Internet site under Tax, Business, GST/HST, GST/HST Guides, or by using this exact address: [www.ccra-adrc.gc.ca/E/pub/gp/rc4027eq/rc4027eq.html](http://www.ccra-adrc.gc.ca/E/pub/gp/rc4027eq/rc4027eq.html).

## ***New address for your tax centre***

The address of the CCRA Tax Centre to which you mail your GST/HST returns and remittances may have changed recently. This address is printed on each personalized return and remittance that we send you. You can help us in our efforts to provide you with more efficient service by ensuring your returns and remittances are sent to the appropriate Tax Centre.

## ***What's new in publications***

### **GST/HST Memoranda Series**

<u>Memorandum 3.3</u>	<u><i>Place of Supply</i></u>
<u>Memorandum 3.4</u>	<u><i>Residence</i></u>
<u>Memorandum 17.2</u>	<u><i>Products and Services of a Deposit-taking Financial Institution</i></u>

### **GST/HST Guides**

<u>RC4031(E)</u>	<u><i>revised - Tax Refund for Visitors to Canada</i></u>
<u>RC4049(E)</u>	<u><i>GST/HST Information for Municipalities</i></u>
<u>RC4022(E)</u>	<u><i>General Information for GST/HST Registrants</i></u>
<u>RC4072(E)</u>	<u><i>First Nations Tax (FNT)</i></u>

Current publications can be found on the CCRA Internet site at [www.ccra-adrc.gc.ca](http://www.ccra-adrc.gc.ca) under Tax in either the Business or Technical Publications sub-headings or by going directly to the following addresses: [www.ccra-adrc.gc.ca/menu/EmenuHDA.html](http://www.ccra-adrc.gc.ca/menu/EmenuHDA.html) for guides, pamphlets, forms, and the *GST/HST News*, or at [www.ccra-adrc.gc.ca/menu/EmenuKZW.html](http://www.ccra-adrc.gc.ca/menu/EmenuKZW.html) for GST/HST Memoranda, Technical Information Bulletins, Policy Papers and Notices.



## ***Prescribed rates of interest***

GST/HST interest and penalty compound daily. Income tax interest also compounds daily. For excise duty, penalty compounds monthly, and interest compounds daily. For all other taxes noted below, penalties and interest are calculated monthly for each month or part-month in which a balance remains. The total amount payable is based on the total tax, penalties, and interest outstanding. Prescribed interest rates are adjusted every calendar quarter.

These rates of interest are also available on the CCRA Internet site by searching "prescribed rates of interest" or by using this exact address:  
[www.ccra-adrc.gc.ca/E/pub/gi/prierem/prier-e.html](http://www.ccra-adrc.gc.ca/E/pub/gi/prierem/prier-e.html)

2000	GST/HST, Excise Tax (annualized rates)		Excise Duty (annual rates)		Income Tax (annual rates)	
	Interest % *	Penalty %	Interest %	Penalty %	Refund Interest %	Arrears and Instalment Interest %
January 1 - March 31	4.8264	6.0	7.0	6.0	7.0	9.0
April 1 - June 30	4.8264	6.0	8.0	6.0	8.0	10.0
July 1 - September 30	5.9674	6.0	6.0	6.0	8.0	10.0

\* To calculate interest for GST/HST purposes only, divide the adjusted annual interest rate by 366 (as the year 2000 is a leap year) and apply it daily.

## ***GST/HST Enquiries***

To make enquiries regarding your GST/HST account please call

Business Enquiries at  
 1-800-959-5525.

To make enquiries regarding the status of specific GST/HST rebate claims call  
 1-800-565-9353



**Canada**

Copyright/Disclaimer

Canada Customs  
and Revenue AgencyAgence des douanes  
et du revenu du CanadaGovernment  
Publications

Main menu

<a href="#">Français</a>	<a href="#">Site map</a>	<a href="#">Contact us</a>	<a href="#">Search</a>	<a href="#">Canada Site</a>
<a href="#">What's new</a>	<a href="#">Newsroom</a>	<a href="#">Career opportunities</a>	<a href="#">Electronic services</a>	<a href="#">Forms and publications</a>

[Forms and publications](#)

# GST/HST News

Edition #38

Fall 2000

The *GST/HST News* is published quarterly and highlights recent developments in the administration of the Goods and Services Tax (GST) and Harmonized Sales Tax (HST), as well as excise taxes and duties. This publication is provided for information purposes only and does not replace law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Canada Customs and Revenue Agency (CCRA) tax services office or call Business Enquiries at 1-800-959-5525. Comments or suggestions about the newsletter should be sent to the Editor, *GST/HST News*, Policy and Legislation Branch, CCRA, Ottawa, Ontario K1A 0L5.

ISSN 1183-689X

- [Supply of photocopies](#)
- [Municipal organizations and hospital authorities](#)
- [Indian Settlements Remission Order](#)
- [First Nations Tax](#)
- [New address for your tax centre](#)
- [Elimination of Québec Sales Tax Rebate](#)
- [Reminder - Rebate for printed books](#)
- [Excise Tax Corner](#)
- [What's new in publications](#)
- [Prescribed rates of interest](#)
- [GST/HST Enquiries](#)

## Supply of photocopies

Generally, the supply of photocopies is considered to be a supply of tangible property rather than a service for purposes of the GST/HST.

However, under certain circumstances, the supply of photocopies may be considered the supply of a service where the recipient of the supply provides the necessary inputs. For example, if a customer were to bring the original document and the paper on which to make the copies to a photocopy shop, then the supply of the photocopies could be considered a supply of a service.

An example illustrating the supply of photocopies as tangible property follows:

A university, which is a public institution and a registrant, has a number of stand-alone photocopiers in its library which accept coins. The photocopiers are operated by individuals, generally university students, who copy material needed for



their courses. The consideration is based on a cost per photocopy. The consideration paid by the customer for the supply of photocopies exceeds the direct cost to the public institution, that is, the university makes a profit. In the course of supplying photocopies, the university acquires property and services on which it pays GST/HST.

In this case, the supply of photocopies is a supply of tangible property and GST/HST will be payable on the supply. Input tax credits may be claimed for GST/HST paid by the university on property or services acquired for the purpose of making supplies of photocopies.

This policy is effective July 1, 2000. For more information consult the GST/HST Policy Statement P-236, Supply of Photocopies. This policy statement can be found on the CCRA Internet site.

## **Municipal organizations and hospital authorities**

Municipal organizations, hospitals and health authorities and boards which have been created by amalgamation, merger, etc. as a result of the restructuring of municipalities and the delivery of health services, need to confirm their status with the CCRA in order to ensure the continued payment of their public service body rebates.

Please call the Business Enquiries line at 1-800-959-5525 for more information or contact your tax services office. A list of addresses for local tax services offices can be found on the CCRA web site.

## **Indian Settlements Remission Order**

On July 27, 2000, the *Indian Settlements Remission Order (2000)* came into force. The purpose of this Order is to provide relief from income tax and GST/HST to specified Indian settlements by treating them as though these settlement lands were reserve lands.

As a result, for purposes of the GST/HST administrative guidelines that apply to Indians and Indian bands, the following Indian settlements in Alberta will be considered to be reserves: Alexander, Fox Creek, Fort Assiniboine, Loon River and Loon Prairie.

Technical Information Bulletin (TIB) B-039R, GST Administrative Policy - Application of GST to Indians provides more information concerning the application of tax to Indians and Indian bands. This TIB can be found on the CCRA Internet site.

## **First Nations Tax**

Currently, three Indian bands are charging First Nations Tax (FNT), a 7% value-added tax equivalent to the GST, on sales of fuel, alcoholic beverages and tobacco products which are sold on their reserves. The CCRA is administering these taxes on behalf of the Westbank First Nation, the Kamloops First Nation, and the Sliammon First Nation (on tobacco products and fuel only).

One additional band has implemented a FNT. As of **September 1, 2000**, the

**Chemainus** First Nation (British Columbia) is charging the FNT on sales of fuel, tobacco products, and alcoholic beverages sold on its reserves.

For more information please refer to the publication RC4072, *First Nations Tax (FNT)*, which provides more details about these taxes, including the definition of the products subject to FNT. It is available from any tax services office and on the CCRA Internet site.

## **New address for your tax centre**

The address of the CCRA Tax Centre to which you mail your GST/HST returns and remittances may have changed recently. This address is printed on each personalized return and remittance that we send you. You can help us in our efforts to provide you with more efficient service by ensuring your returns and remittances are sent to the appropriate Tax Centre.

## **Elimination of Québec Sales Tax Rebate**

Currently, under the Québec sales tax system, non-residents of Canada may claim a rebate equal to the QST paid on eligible purchases. Such purchases include goods acquired to be taken or shipped outside of Quebec, short-term accommodation, and certain supplies relating to a foreign convention.

The Government of Québec has announced that portions of this program relating to eligible goods and short-term accommodation will be eliminated.

Starting October 1, 2000, non-residents of Canada will no longer be entitled to a QST rebate respecting eligible goods acquired to be taken or shipped outside Quebec if the total consideration for the goods becomes due after September 30, 2000, and is not paid by that date.

Similarly, as of November 1, 2001, short-term accommodation for occupation by individuals who are non-residents of Canada will no longer be eligible for a QST rebate. This will apply both to individuals who acquire accommodation for their own purposes and to non-registrant foreign suppliers who acquire the accommodation directly or as part of tour packages for supply outside Canada to non-residents, if the total consideration becomes due after October 31, 2001, and is not paid by that date.

The measure also applies to supplies of short-term accommodation or to tour packages that include such accommodation, for which all or part of the consideration becomes due or is paid before November 1, 2001, if all the short-term accommodation made available in the course of such supplies is to be occupied after October 31, 2001.

## **Reminder - Rebate for printed books**

Specified persons may claim a rebate of 100% of the GST or the federal portion of the HST that becomes payable after October 23, 1996, on their purchases of printed books, audio recordings of printed books, or printed versions of the scripture of any religion which are not for resale.

## **Specified persons**



The term "specified person" includes municipalities, school authorities, universities, and public colleges as defined in the *Excise Tax Act* (the "Act"). Charities, public institutions, and qualifying non-profit organizations (NPOs) are included if they operate public lending libraries. Charities and NPOs with the primary purpose of promotion of literacy and where prescribed by regulation are also included in the meaning of "specified person".

A "public lending library" means a place where a collection of documents and other items such as films and recordings are kept and maintained and which is *open to the public* for their use. It includes libraries from which these documents and other items can be borrowed, as well as those libraries accessible to the public for research purposes only.

### **Requesting to be prescribed**

Charities and NPOs may request to be prescribed if the primary purpose of the organization is the promotion of literacy. Requests should be submitted to the Director, Public Service Bodies and Governments Division, Excise and GST/HST Rulings Directorate, Policy and Legislation Branch, Place de Ville, Tower A, 14th Floor, 320 Queen Street, Ottawa, Ontario K1A 0L5. The director will make recommendations to the Department of Finance for final determination.

### **Printed books**

"Printed book" has its ordinary meaning, except for the specific exclusions described in the Act. A printed book packaged together with another product, such as a stuffed animal or music cassette is generally considered to be a new product and is not eligible for the rebate.

### **Claiming the rebate**

To claim the rebate, you should show the amount separately on line 307 of the form GST66, *GST/HST Rebate Application for Public Service Bodies*. Please note that the rebate amount should not be added in with other rebates or with input tax credits. Qualifying rebates will be paid if the rebate claim is submitted within four years after the end of the reporting period of the person in which the GST or the federal portion of the HST became payable in respect of the supply.

While you cannot claim both the book rebate and another public service body (PSB) rebate type for the same purchases, you may continue to claim your regular PSB rebate for purchases which do not meet the conditions for the book rebate.

Further information on the book rebate can be found in Technical Information Bulletin B-076, *Proposed Rebate for Printed Book, Audio Recordings of Printed Books and Printed Versions of Religious Scriptures under the GST/HST*, available from your local tax services office or by accessing the CCRA Internet site.

Form GST66 *GST/HST Rebate Application for Public Service Bodies*, can be found on the CCRA Internet site. You can also order this form online at the same site.

## **Excise Tax Corner**

### **Refunds**

Licensees and non-licensees under the *Excise Tax Act* may, where provided by law, apply for a refund of an amount equal to excise tax paid in numerous situations.

For example, licensees may apply for refunds where taxes are paid in error, taxes are paid in respect of bad debts or taxes are paid on goods in inventory at the time of licensing. Both licensees and non-licensees may apply for refunds of tax where goods have been purchased tax-paid and subsequently sold, for example, to licensed wholesalers, licensed manufacturers and others entitled to an exemption from the tax. They may also apply for refunds of tax where the tax-paid goods are used under tax-exempt conditions, for example, the generation of electricity.

Applications for a refund on sales of goods made under tax-exempt conditions must be supported by customers' purchase orders certifying that the goods are being purchased under exempt conditions.

Applicants must maintain adequate books and records and must make them available for inspection by officers of the CCRA. Non-resident refund applicants must make their books and records available in Canada to substantiate the amount of their refund application.

Persons entitled to refunds of excise tax must file their refund applications within two years of the time when the refund first became payable. The time limits also apply to deductions taken by a licensee from current taxes payable, in lieu of claiming a refund.

Where an application is completed and submitted by someone other than the person eligible to file the application, the application must be accompanied by a written authorization signed by the eligible applicant. If the refund cheque is to be sent to an address other than that of the eligible applicant, this should be indicated in the letter of authorization as well.

Forms N15, *Application for Refund/Deduction of Excise Taxes*, and N15S, *Supplement for: An Application for Refund/ Deduction of Excise Taxes; or an Application for Drawback/Remission of Excise Taxes*, are the prescribed forms for filing a refund claim. These are available from your local tax services office or on-line at the CCRA Internet .

## **What's new in publications**

### **GST/HST Memoranda Series**

Memorandum 4.1 Drugs and Biologicals

### **GST/HST Guides**

RC4058 Quick Method of Accounting for GST/HST

RC4027 Doing Business in Canada - GST/HST Information for Non-Residents

Current publications can be found on the CCRA Internet site at the following address: [www.ccra-adrc.gc.ca/menu/EmenuHDA.html](http://www.ccra-adrc.gc.ca/menu/EmenuHDA.html) for guides, pamphlets, forms, and the GST/HST News, or at [www.ccra-adrc.gc.ca/menu/EmenuKZW.html](http://www.ccra-adrc.gc.ca/menu/EmenuKZW.html) for GST/HST Memoranda, Technical Information Bulletins, Policy Papers, Notices and



## Questions and Answers.

**Prescribed rates of interest**

GST/HST interest and penalty compound daily. Income tax interest also compounds daily. For excise duty, penalty compounds monthly, and interest compounds daily. For all other taxes noted below, penalties and interest are calculated monthly for each month or part-month in which a balance remains. The total amount payable is based on the total tax, penalties, and interest outstanding. Prescribed interest rates are adjusted every calendar quarter.

These rates of interest are also available on the CCRA Internet.

2000	GST/HST, Excise Tax (annualized rates)	Excise Duty (annual rates)		Income Tax (annual rates)		Arrears and Instalment Interest %
	Interest % *	Penalty %	Interest %	Penalty %	Refund Interest %	
January 1 - March 31	4.8264	6.0	7.0	6.0	7.0	9.0
April 1 - June 30	4.8264	6.0	8.0	6.0	8.0	10.0
July 1 - September 30	5.9674	6.0	6.0	6.0	8.0	10.0
October 1 - December 31	5.9674	6.0	8.0	6.0	8.0	10.0

\* To calculate interest for GST/HST purposes only, divide the adjusted annual interest rate by 366 (as the year 2000 is a leap year) and apply it daily.

**GST/HST Enquiries**

To make enquiries regarding your GST/HST account please call  
Business Enquiries at  
1-800-959-5525.

To make enquiries regarding the status of  
specific GST/HST rebate claims call  
1-800-565-9353

To obtain copies of forms and publications  
please call  
1-800-959-2221



[Copyright/Disclaimer](#)





# GST/HST News

No. 30

Winter 2000 - 2001

## Contents

Bill C-24 receives Royal Assent . . . .	1
Press Release - October 4, 2000 . . . .	1
Notice for suppliers to departments and agencies of the Governments of Prince Edward Island and Nunavut . . . . .	2
Recipient of a supply and entitlement to input tax credits . . . . .	3
Land claim and self-government agreements with the Nisga'a Nation . . . . .	3
First Nations Tax . . . . .	3
Summer 2000 #37 . . . . .	4
Closely related corporations vs. associated corporations for purposes of the election for nil consideration . . . . .	4
Non-resident registrants . . . . .	4
Fall 2000 #38 . . . . .	5
Individuals claiming a GST/HST exemption . . . . .	5
Indian Settlements Remission Order . . . .	5
Supply of photocopies . . . . .	6
Elimination of Quebec Sales Tax Rebate . . . . .	6
Municipal organizations and hospital authorities . . . . .	7
Reminder to annual filers: your personalized return and remittance forms have arrived early . . . . .	7
New address for your Tax Centre . . . .	7
What's new in publications . . . . .	7
Prescribed rates of interest . . . . .	8
Reminder: changes to the GST/HST News . . . . .	8
GST/HST Enquiries . . . . .	8

## Bill C-24 receives Royal Assent

Bill C-24 received Royal Assent on October 20, 2000. It amends the *Excise Tax Act* and incorporates the Notice of Ways and Means Motion of December 2, 1999, which introduced measures tabled in the House of Commons on June 4, 1999 (Bill C-88), along with new measures announced on August 12 and October 8, 1999.

The legislation includes some refinements and additions to previously announced measures, such as multi-employer pension plans, sales of accounts receivable, charities, and penalties for false statements or omissions. Legislative changes relevant to the Visitor Rebate Program include rebates for non-residents of Canada for GST/HST paid on campsite and hook-up fees, as well as a rebate of 50% of GST/HST paid on food and beverages for foreign conventions.

## Press Release - October 4, 2000

On October 4, 2000, the Minister of Finance tabled a Notice of Ways and Means Motion containing draft GST/HST legislation to implement the Export Distribution Centre (EDC) measures and the New Residential Rental Property Rebate announced in the February 28, 2000 federal budget. In addition, the Motion contained some newly proposed GST/HST amendments.

The proposed GST/HST amendments concern returns of real property to the original vendor, vocational training, sales of real property by an individual or personal trust, supplies by charities, public institutions and public service bodies, speech therapy services, and electronic filing of GST/HST returns.

The Minister also announced amendments to the *Federal Book Rebate (GST/HST) Regulations*, the *Artists' Representatives (GST/HST) Regulations*, and the *Closely Related Corporations (GST) Regulations*, to update lists of prescribed persons under each of the respective Regulations.

### Export Distribution Centre Program

Under the EDC Program, proposed to begin on January 1, 2001, authorized export-oriented, non-manufacturing businesses will be able to use a certificate to acquire or import most inventory and parts, or import a customer's goods for processing, without payment of the GST/HST.

continued on page 2

The *GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), as well as excise taxes and duties. This publication is provided for information purposes only and does not replace law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Canada Customs and Revenue Agency (CCRA) tax services office or call Business Enquiries at 1-800-959-5525. CCRA information can also be found on the Internet at <http://www.ccra-adrc.gc.ca>

Comments or suggestions about the newsletter should be sent to the Editor, *GST/HST News*, Policy and Legislation Branch, CCRA, Ottawa, Ontario K1A 0L5.

ISSN 1183-689X



## Press Release – October 4, 2000 – cont'd.

Only GST/HST registrants whose export revenue accounts for at least 90% of their total revenue generated from activities in Canada, and that add only limited value to goods, will be eligible for the EDC Program. Eligible registrants who want to use the EDC Program must apply to the CCRA for authorization. Authorizations will remain in effect for three years, unless revoked earlier, and can be subsequently renewed.

To complement the EDC Program, the federal budget also proposed the following changes to existing measures:

- GST/HST relief is extended to goods imported for warranty repair, where replacement goods are exported in place of the original defective goods; and
- storage services are eligible for relief under the drop-shipment rules, and the Exporters of Processing Services Program is expanded to provide for storage and distribution activities.

More information on these topics can be found in the GST/HST guide RC4027, *Doing Business in Canada – GST/HST Information for Non-Residents*, which can be found on the CCRA Internet address: <http://www.ccra-adrc.gc.ca/E/pub/gp/rc4027eq/rc4027eq.html>

Some Export Trading House Program rules aligned with those of the new EDC Program were also announced. Information concerning export trading houses can be found in GST/HST Memorandum 4.5.2, *Exports – Tangible Personal Property* at this CCRA Internet address: <http://www.ccra-adrc.gc.ca/E/pub/gm/4-5-2em/README.html>

### New Residential Rental Property Rebate

The federal budget also proposed a New Residential Rental Property Rebate, generally equal to a maximum of 2.5 percentage points of tax, for newly-constructed, substantially renovated, or converted residential rental accommodation. In the participating provinces this rebate will apply only to the federal portion of the HST. The rebate will be available in respect of rental accommodation, including single unit and multiple unit rental housing, additions to multiple unit rental housing, and land leased for residential purposes, provided the rental accommodation or land is used or intended to be used as an individual's primary place of residence on a long-term basis. The rebate is available for residential units with a fair market value up to \$450,000.

The rebate will be payable to the person who paid the tax. For example, in the case of rental accommodation, it will be payable to the landlord and, in the case of leased land, to the lessor. The rebate will apply to rental accommodation where the construction, substantial renovation or conversion commences after February 27, 2000. In the case of leased land, the rebate will apply where lease agreements are entered into after February 27, 2000.

The CCRA will be publishing Technical Information Bulletins with detailed information concerning these new programs in the near future. Check the CCRA Internet site for these publications.

The Press Release can be found on the Department of Finance Internet site under the heading "News Releases and Speeches" or by using this address: <http://www.fin.gc.ca/newse00/00-078e.html>

### **Notice for suppliers to departments and agencies of the Governments of Prince Edward Island and Nunavut**

The Government of Canada has entered into two new reciprocal tax agreements with the Government of Prince Edward Island (P.E.I.) and the Government of Nunavut which will change the GST/HST purchasing procedures for P.E.I. and Nunavut government departments and agencies.

Effective October 1, 2000, all P.E.I. government departments and agencies pay GST/HST on all of their taxable purchases. Effective November 1, 2000, all Nunavut government departments and agencies pay GST/HST on all of their taxable purchases.

Suppliers should no longer rely on or accept a Crown funds exemption certificate requesting GST/HST relief at point of purchase from P.E.I. or Nunavut government departments and agencies. Suppliers must therefore ensure that they charge and collect the applicable GST/HST on all taxable supplies made to P.E.I. and Nunavut government departments and agencies.

## Recipient of a supply and entitlement to input tax credits

Who is entitled to claim an input tax credit (ITC) when an invoice is issued in the name of one person, but another person actually pays the invoice amount?

One of the conditions that must be met in order for a registrant to claim an ITC in respect of the tax paid or payable on supplies is that the claimant must be the "recipient" of the supply in question. Generally, the "recipient" of a supply is the person liable to pay the consideration for the supply under the agreement for the supply.

For example: Registrant A, which is engaged exclusively in commercial activities, places an order for equipment with a supplier and is liable to pay the consideration for the equipment under the agreement for the supply. Registrant B takes delivery of the goods and actually uses them exclusively in its commercial activity.

The invoice issued by the supplier identifies A as the customer and lists the shipping address of B for delivery purposes. When B receives the goods, B pays the supplier and subsequently claims the ITC. As supporting documentation, B uses the invoice made out in the name of A.

However, as B is not the "recipient" of the supply, it is not eligible to claim an ITC, since it is not the person liable to pay the consideration for the equipment.

In this scenario, the "recipient" of the initial supply of the equipment is registrant A, and as such, A is entitled to claim the ITC. If the parties would like registrant B to be able to claim an ITC in respect of equipment, A should then "re-supply" the equipment to B and issue an invoice to B identifying

that registrant as the recipient of the supply. B would then be in a position to claim an ITC for the tax paid or payable on that supply, provided B has appropriate documentation and has satisfied the other conditions for claiming an ITC.

**Exception** – Where a duly authorized agent or representative acquires goods or services on behalf of a principal in an agent-principal relationship between registrants, the principal would be entitled to claim the ITC, rather than the duly authorized agent or representative.

For more information on ITCs refer to the 400 series of *GST Memoranda* which discuss input tax credits in detail. They are available on the CCRA Internet site at this address:

<http://www.ccradrc.gc.ca/menu/EmenuKEE.html>

## Land claim and self-government agreements with the Nisga'a Nation

As a result of the provisions of land claim and self-government agreements with the Nisga'a Nation, British Columbia, four Indian bands ceased to be Indian bands as defined in the *Indian Act*.

Effective May 11, 2000, these entities are required to pay the GST/HST when acquiring taxable goods and services. The *Nisga'a Final Agreement Act* is the enacting legislation.

Also effective May 11, 2000, certain Nisga'a Nation reserve lands ceased to be reserve lands. However, a remission order has been passed that provides for a remission of tax to Indian individuals for property situated on these former reserve lands. For GST/HST purposes, the *Nisga'a Final Agreement Indian Remission Order* applies until May 31, 2008.

## First Nations Tax

Currently, five Indian bands are charging the First Nations Tax (FNT), a 7% value-added tax equivalent to the GST, on sales of fuel, alcoholic beverages and tobacco products which are sold on their reserves. The CCRA is administering these taxes on behalf of the Westbank First Nation and the Kamloops First Nation (on tobacco products, fuel and alcoholic beverages), and the Sliammon First Nation (on tobacco products and fuel only).

As of September 1, 2000, the Chemainus First Nation is charging the FNT on sales of fuel, tobacco products, and alcoholic beverages sold on its reserves. And as of October 1, 2000, the Buffalo Point First Nation is charging the FNT on sales of fuel, tobacco products, and alcoholic beverages sold on its reserves.

For more information refer to the CCRA publication RC4072, *First Nations Tax (FNT)*, which provides more details about these taxes, including the definition of products subject to the FNT. It is available from any tax services office and on the CCRA Internet site at the following address:

<http://www.ccradrc.gc.ca/menu/EmenuHDC.html>. You may also consult FNT Questions and Answers by searching the CCRA Internet site for "First Nation Tax".



## Summer 2000 #37

The following articles appeared in the Summer 2000 Internet edition of the *GST/HST News*.

### Closely related corporations vs. associated corporations for purposes of the election for nil consideration

This article briefly outlines the difference between "closely related corporations" and "associated corporations" and their eligibility to make an election for nil consideration under the *Excise Tax Act* (ETA).

Generally, section 156 of the ETA permits specified members of a closely related group of corporations to elect to treat qualifying supplies between them as if they were made for no consideration, when all the requirements of section 156 are met. This is done in order to simplify tax accounting. One of the requirements of the legislation is that corporations must be closely related rather than merely associated in order to make the election.

The concept of closely related corporations under the ETA pertains to, amongst other things, the substantial common ownership of shares with full voting rights between corporations (i.e., common ownership of at least 90% of the value and number of issued and outstanding shares with full voting rights).

The concept of associated corporations deals with the common control amongst corporations. Generally, the ETA provides that two corporations are associated with each other if they are associated corporations under subsections 256(1) to (6) of the *Income Tax Act*. Circumstances of corporate control determine whether two corporations are associated. It is important to note that associated corporations are not necessarily closely related.

Refer to section 128 of the ETA and GST Memorandum 17.14 for information on determining whether corporations are closely related, and section 127 of the ETA, subsections 256(1) to (6) of the *Income Tax Act* and Interpretation Bulletin IT-64R3, for information on determining whether corporations are associated.

### Non-resident registrants

If you are a non-resident registrant (e.g., a U.S. resident) without a permanent establishment in Canada, the CCRA has designated a tax services office for you according to the geographical area of your place of business abroad.

Should you wish to register or otherwise deal with a specific tax services office for a particular reason (e.g., the place where your tax consultant is situated or where most of your supplies will be made), you may do so, but you must select one of the seven designated tax services offices which administer non-resident registration, and you must fulfil the GST/HST security requirements applicable to non-residents who do not have a permanent establishment in Canada.

A list of the states and countries and the corresponding tax services offices is provided in the GST/HST Guide RC4027, *Doing Business in Canada – Information for Non-Residents* which can be found on the CCRA Internet site under Tax, Business, GST/HST, GST/HST Guides, or by using this address: <http://www.ccra-adrc.gc.ca/E/pub/gp/rc4027eq/rc4027eq.html>

**These articles were also published in the Summer 2000 edition of the newsletter and can be found at this CCRA Internet address:**  
<http://www.ccra-adrc.gc.ca/E/pub/gr/news37em/README.html>

#### Automobile deduction limits

This article discusses the new automobile expense deduction limits for the year 2000 and the

prescribed rates for determining the taxable benefit on automobile operating expenses for businesses.

#### Reminder for farmers and agri-business

This article discusses the tax status of supplies of agricultural products for GST/HST purposes.

#### Excise Tax Corner

This article discusses diversion. When excisable goods are purchased excise tax-paid, but are used under tax-exempt conditions, or when excisable goods are purchased tax-exempt, but are used or sold under taxable conditions, "diversion" occurs. Excisable goods normally associated with diversion include fuels, motor vehicles and tobacco products.

## Fall 2000 #38

The following articles appeared in the Fall 2000 Internet edition of the *GST/HST News*.

### Individuals claiming a GST/HST exemption

Vendors should be aware that a number of individuals are claiming exemptions, and in some cases presenting cards, such as *Corporation Sole* and *International Humanity House* cards, in an attempt to avoid paying the GST/HST on their purchases.

Although some provinces issue exemptions from provincial sales tax to farmers, municipalities and other businesses, these exemptions **do not** apply to the GST/HST.

Please note that registrant vendors who **do not** collect the GST/HST from an individual falsely claiming to be exempt from the GST/HST must still remit the tax that should have been collected.

The only individuals who can purchase goods and services without paying the GST/HST are Indians, under the conditions outlined below.

#### Certificate of Indian Status

Indian individuals may qualify for tax relief under certain conditions. When these conditions are met, the CCRA accepts the *Certificate of Indian Status* card issued by the Department of Indian Affairs and Northern Development (DIAND) as proof of Indian status.

The *Certificate of Indian Status* card displays the Canadian maple leaf logo immediately followed by "Indian and Northern Affairs Canada". The certificate card also shows:

- the person's photo;
- the person's name; and
- a 9- or 10-digit registry number.

Therefore, if you are a registrant for GST/HST purposes and you supply goods or services taxable at 7% GST or 15% HST to an Indian individual, that Indian individual may be eligible for tax relief if he or she provides the *Certificate of Indian Status* card and:

- the goods are sold on a reserve, or the goods are delivered (by you or your agent) to a reserve; or
- the services (e.g., haircuts, small appliance repairs) are performed totally on a reserve.

You must clearly indicate on sales documents (i.e., invoices) the registry number, or the band name and family number (commonly referred to as the "band number" or "treaty number"), and you must also retain proof of delivery if the goods are delivered to the reserve (i.e., way bills, postal receipts, freight bills, mileage logs, or dispatch records).

#### Exception

The tax relief described above does not apply in the Yukon. Effective February 15, 1998, all supplies of goods and services to Indians and Indian bands in the Yukon became subject to the GST/HST. In addition, goods purchased by a Yukon Indian Person resident in the Yukon or a Yukon First Nation are subject to the GST/HST even if the goods are delivered to a reserve outside the Yukon.

For more information on this subject please consult GST Technical Information Bulletin B-039R, *GST Administrative Policy: Application of GST to Indians*. This

publication is available on the CCRA Internet site under Forms and Publications, Technical Publications – Tax, GST/HST, GST/HST Technical Information Bulletins B-001 to B-050, by using this address:  
<http://www.ccra-adrc.gc.ca/menu/EmenuKDA.html>

### Indian Settlements Remission Order

On July 27, 2000, the *Indian Settlements Remission Order (2000)* came into force. The purpose of this Order is to provide relief from income tax and GST/HST to specified Indian settlements by treating them as though these settlement lands were reserve lands.

As a result, for purposes of the GST/HST administrative guidelines that apply to Indians and Indian bands, the following Indian settlements in Alberta will be considered to be reserves:

- Alexander,
- Fox Creek,
- Fort Assiniboine,
- Loon River and
- Loon Prairie.

Technical Information Bulletin B-039R, *GST Administrative Policy – Application of GST to Indians*, provides more information concerning the application of tax to Indians and Indian bands. This Technical Information Bulletin can be found on the CCRA Internet site at the following address:  
<http://www.ccra-adrc.gc.ca/E/pub/gm/b-039rem/README.html>



## Supply of photocopies

Generally, the supply of photocopies is considered to be a supply of tangible property rather than a service for purposes of the GST/HST.

However, under certain circumstances, the supply of photocopies may be considered to be the supply of a service where the recipient of the supply provides the necessary inputs. For example, if a customer were to bring the original document and the paper on which to make copies to a photocopy shop, then the supply of the photocopies could be considered to be a supply of a service.

An example illustrating the supply of photocopies as tangible property follows:

A university, which is a public institution and a registrant, has a number of stand-alone photocopiers in its library which accept coins. The photocopiers are operated by individuals, generally university students, who copy material needed for their courses. The consideration is based on a cost per photocopy. The consideration paid by the customer for the supply of photocopies exceeds the direct cost to the public institution, that is, the university makes a profit. In the course of supplying photocopies, the university acquires property and services on which it pays GST/HST.

In this case, the supply of photocopies is a supply of tangible property and GST/HST will be payable on the supply. Input tax credits may be claimed for GST/HST paid by the university on property or services acquired for the purpose of making supplies of photocopies.

This policy is effective July 1, 2000. For more information consult GST/HST Policy Statement P-236, *Supply of Photocopies*. This policy statement can be found on the CCRA Internet site at this address:  
<http://www.ccra-adrc.gc.ca/menu/EmenuKPA.html>

## Elimination of Quebec Sales Tax Rebate

Currently, under the Quebec sales tax system (QST), non-residents of Canada may claim a rebate equal to the QST paid on eligible purchases. Such purchases include goods acquired to be taken or shipped outside of Quebec, short-term accommodation, and certain supplies relating to a foreign convention.

The Government of Quebec has announced that portions of this program relating to eligible goods and short-term accommodation will be eliminated.

Since October 1, 2000, non-residents of Canada are no longer entitled to a QST rebate respecting eligible goods acquired to be taken or shipped outside Quebec if the total consideration for the goods became due after September 30, 2000, and has not been paid by that date.

Similarly, as of November 1, 2001, short-term accommodation for occupation by individuals who are non-residents of Canada will no longer be eligible for a QST rebate. This will apply both to individuals who acquire accommodation for their own purposes, and to non-registrant foreign suppliers who acquire the accommodation directly or as part of tour packages for supply outside Canada to

non-residents, if the total consideration becomes due after October 31, 2001, and is not paid by that date.

The measure also applies to supplies of short-term accommodation or to tour packages that include such accommodation, for which all or part of the consideration became due or has been paid before November 1, 2001, if all the short-term accommodation made available in the course of such supplies is to be occupied after October 31, 2001.

Rebates granted in the context of foreign conventions are maintained. For example, short-term accommodation acquired by the promoter of a foreign convention exclusively for supply within the framework of the convention may be subject to a rebate.

**These articles were also published in the Fall 2000 edition of the newsletter and can be found at this CCRA Internet address:**  
<http://www.ccra-adrc.gc.ca/E/pub/gr/news38em/news38-e.html>

## Rebate for printed books

This article discusses how specified persons may claim a rebate of 100% of the GST or the federal portion of the HST on their purchases of printed books, audio recordings of printed books, or printed versions of the scripture of any religion which are not for resale.

## Excise Tax Corner – Refunds

This article discusses how licensees and non-licensees under the *Excise Tax Act* may, where provided by law, apply for a refund of an amount equal to excise tax paid in numerous situations.

## Municipal organizations and hospital authorities

Municipal organizations, hospitals and health authorities and boards which have been created by amalgamation, merger, etc. as a result of the restructuring of municipalities and the delivery of health services, need to confirm their status with the CCRA to ensure the continued payment of their public service body rebates.

Call the Business Enquiries line at 1-800-959-5525 for more information, or contact your tax services office. A list of addresses for tax services offices can be found on the CCRA Internet site at the following address:  
<http://www.ccra-adrc.gc.ca/E/pub/en/new20ine/new20ine.html>

## Reminder to annual filers: your personalized return and remittance forms have arrived early

Included with this annual edition of the *GST/HST News*, we have enclosed your personalized return and remittance form much earlier than you require it. Also included is a flyer reminding you about return and payment due dates.

Please retain all personalized returns and remittance forms enclosed with this copy of the *GST/HST News* until filing and remitting is required. If you would like further information as to your rights and entitlements as a GST/HST annual filer, please contact our Business Enquiries line at 1-800-959-5525, or visit the CCRA Internet site at [www.ccra-adrc.gc.ca](http://www.ccra-adrc.gc.ca)

## New address for your Tax Centre

The address of the CCRA Tax Centre to which you mail your GST/HST returns and remittances may have changed. This address is printed on each personalized return and remittance that we send you. You can help us in our efforts to provide you with more efficient service by ensuring that your returns and remittances are sent to the appropriate Tax Centre.

## What's new in publications

### GST/HST Memoranda Series

- Memorandum 3.3 *Place of Supply*
- Memorandum 3.4 *Residence*
- Memorandum 4.1 *Drugs and Biologicals*
- Memorandum 17.2 *Products and Services of a Deposit-Taking Financial Institution*

### GST/HST Guides

- RC4022 *General Information for GST/HST Registrants*
- RC4027 *Doing Business in Canada – GST/HST Information for Non-Residents*
- RC4031 *Tax Refund for Visitors to Canada*
- RC4034 *GST/HST Public Service Bodies' Rebate*
- RC4049 *GST/HST Information for Municipalities*
- RC4058 *Quick Method of Accounting for GST/HST*
- RC4072 *First Nations Tax (FNT)*
- RC4091 *GST/HST Rebate for Partners*
- RC4160 *Tax Refund for Non-Resident Tour Operators, Incentive Travel Organizers, Meeting Planners, and Convention Organizers*

Current publications can be found on the CCRA Internet site at [www.ccra-adrc.gc.ca](http://www.ccra-adrc.gc.ca) at the following address:  
[www.ccra-adrc.gc.ca/menu/EmenuHDA.html](http://www.ccra-adrc.gc.ca/menu/EmenuHDA.html) for guides, pamphlets, forms, and the *GST/HST News*, or at  
[www.ccra-adrc.gc.ca/menu/EmenuKZW.html](http://www.ccra-adrc.gc.ca/menu/EmenuKZW.html) for GST/HST Memoranda, Technical Information Bulletins, Policy Papers and Notices.



## Prescribed rates of interest

**G**ST/HST interest and penalty compound daily. Income tax interest also compounds daily. For excise duty, penalty compounds monthly, and interest compounds daily. For all other taxes noted below, penalties and interest are calculated monthly for each month or part-month in which a balance remains. The total amount payable is based on the total tax, penalties, and interest outstanding. Prescribed interest rates are adjusted every calendar quarter.

These rates of interest are also available on the CCRA Internet site at this address:  
<http://www.ccra-adrc.gc.ca/E/pub/gi/prierem/README.html>

	GST/HST, Excise Tax (annualized rates)		Excise Duty (annual rates)		Income Tax (annual rates)	
	Interest* %	Penalty %	Interest %	Penalty %	Refund Interest %	Arrears and Instalment Interest %
<b>2000</b>						
October 1 - December 31	5.9674	6.0	8.0	6.0	8.0	10.0
<b>2001</b>						
January 1 - March 31	6.0833	6.0	8.0	6.0	8.0	10.0

\* To calculate interest for GST/HST purposes only, divide the adjusted annual interest rate by 366 (for the year 2000 leap year) and apply it daily.

## Reminder: changes to the *GST/HST News*

**W**e have changed the way we publish the *GST/HST News*. Starting with the Summer 2000 issue (#37), we are publishing an electronic-only version for three quarters of the year (Spring, Summer, and Fall). This Winter 2000-2001 edition is the **annual** paper version of the newsletter which will be published at the end of each calendar year.

The annual edition of the *GST/HST News* covers the same technical issues discussed in the quarterly electronic issues of the year and will be delivered in December to all registrants. For the

remaining three quarters, we are publishing the newsletter electronically and making it available on the CCRA Internet site under the sub-headings Tax, Business, GST/HST, or by going directly to the following address:  
<http://www.ccra-adrc.gc.ca/menu/EmenuKOA.html>

This change is a result of cost-saving initiatives by the CCRA and also responds to registrants' concerns with the paper burden of a quarterly publication.

Look for the next issue of the *GST/HST News* on the CCRA Internet site around mid-March.

## GST/HST Enquiries

To make enquiries regarding your GST/HST account call  
 Business Enquiries at  
 1-800-959-5525

To make enquiries regarding the status of specific GST/HST rebate claims call  
 1-800-565-9353

To obtain copies of forms and publications call  
 1-800-959-2221



Printed in Canada

Canada Customs  
and Revenue AgencyAgence des douanes  
et du revenu du CanadaGovernment  
Publications

Main menu

Français

Site map

Contact us

Search

Canada Site

What's new

Newsroom

Career  
opportunitiesElectronic  
servicesForms and  
publications

Forms and publications

# GST/HST News

Edition #40

Spring 2001

## The GST/HST News Disclaimer

The *GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), as well as excise taxes and duties. This publication is provided for information purposes only and does not replace law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Canada Customs and Revenue Agency (CCRA) tax services office or call Business Enquiries at 1-800-959-5525. Comments or suggestions about the newsletter should be sent to the Editor, *GST/HST News*, Policy and Legislation Branch, CCRA, Ottawa, Ontario K1A 0L5.  
ISSN 1183-689X

- [Bill C-13](#)
- [Section 167 Election Concerning the Supply of a Business or Part of a Business \(Form GST44\)](#)
- [Nisga'a government entities](#)
- [Designated Charities](#)
- [Proposed Amendment to Vocational Training Exemption](#)
- [Automobile Expense Deduction Limits](#)
- [Retailer alert](#)
- [New Distribution Centre Opens in Atlantic Region](#)
- [Sushi Platters](#)
- [Recipient of a taxable supply and entitlement to input tax credits](#)
- [Excise Tax Corner](#)



- What's new in publications
- Prescribed rates of interest
- TIS Operations Name Change
- GST/HST Enquiries

## Bill C-13

On February 23, 2001, Bill C-13, an Act to Amend the *Excise Tax Act* received first reading in the House of Commons.

The Bill mainly contains measures relating to the goods and services tax and harmonized sales tax and the measures tabled in the House of Commons on October 4, 2000, and February 20, 2001, which include sales tax initiatives that were proposed in the 2000 budget.

In addition to the previous measures, Bill C-13 includes the following new proposals:

- a refinement to the existing New Housing Rebate, which would qualify a new single-family dwelling for the rebate where it is used primarily as a place of residence by the owner as well as to provide short-term accommodation to the public in certain circumstances, as is the case with many bed-and-breakfast establishments;
- amendments clarifying the application of the existing excise taxes on automobile air conditioners and on new heavy automobiles; and
- an amendment allowing the Minister of National Revenue to waive or cancel interest (or penalties calculated in the same manner as interest) under the excise tax system, consistent with the authority already provided under the GST/HST and income tax systems.

The Press Release can be found on the Department of Finance Internet site under the heading "News Releases and Speeches" or by using this address:  
<http://www.fin.gc.ca/newse01/01-017e.html>

## Section 167 Election Concerning the Supply of a Business or Part of a Business (Form GST44)

Subsections 167(1) and 167(1.1) of the *Excise Tax Act* permit a supplier to make a supply of a business or part of a business to a recipient with no GST/HST payable on the property or services supplied under the agreement (with some exceptions), if both parties to the transaction elect to do so. The election cannot be made, however, where the supplier is a registrant and the recipient is a non-registrant.

To be eligible to use this election certain conditions must be met, including:

- the supplier must supply a business or part of a business that was established

or carried on by the supplier or that was established or carried on by another person and acquired by the supplier; and

- the recipient must be acquiring, under the agreement, ownership, possession or use of all or substantially all (generally 90% or more) of the property that can reasonably be regarded as being necessary for the recipient to be capable of carrying on the business or part of a business.

To determine whether a supply meets the above-mentioned conditions for eligibility, the following guidelines should be applied to the facts of a particular situation.

*1. Is the supplier supplying, and is the recipient acquiring, a business or a part of a business?*

For GST/HST purposes, a business is an activity including a profession, calling, trade, manufacture, or undertaking of any kind, but does not include an office or employment. The assets of a business usually include: real property, equipment, inventory, and intangibles such as goodwill. Ordinarily, the supply of one or more individual assets will not be considered a supply of a business. The nature of a business (or part) will normally determine the package of assets that would be required to carry on the business (or part of a business). Generally, no one type of property, regardless of its value, determines whether there has been a supply of a business.

In general, a "part of a business" is an activity that may be a functionally and physically distinct operating unit, or it may be an activity which supports or is related to the broader business but is organized as a separate activity which is capable of operating on its own. For example, the supply of a production line including all equipment, inventory and intangible property such as a product formula, among other assets, may be considered to be the supply of a part of a business.

*2. Is the recipient acquiring ownership, possession or use of all or substantially all of the property?*

To meet the "all or substantially all" condition, any property not acquired under the agreement for the supply (e.g., acquired from other sources or already in the possession of the recipient), but required by the recipient to carry on the business, must fall within the remaining general margin of 10% of the fair market value of all the property required to carry on the business. For example, where the real property used in the supplier's business is not acquired by the recipient (e.g., the recipient intends to rent its facilities from a third party) the real property subsequently acquired or used by the recipient must comprise 10% or less of the fair market value of all the property required to carry on the business.

In addition, the recipient must be capable of carrying on the same kind of business that was established or carried on by the supplier with the property that the recipient has acquired under the agreement.

To summarize, the election is available, subject to exceptions, on the supply of a business or part of a business as a going concern. The election is not meant to



relieve GST/HST payable on individual assets supplied in situations not involving business acquisitions, regardless of the value of the assets.

For further reference please see Policy Statement P-188, *Supply Of A Business Or Part Of A Business For The Purpose Of The Election Under Subsection 167(1)*. For discussion regarding franchises please see Policy Statement P-179, *Interpretation of Business that was Established for Purposes of subsection 167(1) of the ETA*, and Policy Statement P-181, *Amounts for Certain Services and Licences and the ss. 167(1) Election of the ETA*. These are all available on the CCRA Internet site at this address: [www.ccra-adrc.gc.ca/menu/EmenuKPA.html](http://www.ccra-adrc.gc.ca/menu/EmenuKPA.html)

## **Nisga'a government entities**

The *Nisga'a Final Agreement Act* came into effect on May 11, 2000. As a result of this legislation, Nisga'a Governments will pay the GST/HST when acquiring taxable goods and services.

Nisga'a Governments include the Nisga'a Lisims Government which is the government of the Nisga'a Nation and the four Nisga'a Villages; namely the Nisga'a Village of New Aiyansh, the Nisga'a Village of Gitwinksihlkw, the Nisga'a Village of Laxgalt'sap and the Nisga'a Village of Gingolx.

## **Designated Charities**

The *Excise Tax Act* provides that certain charities may apply for designated charity status. In order to be eligible, one of the charity's main purposes must be the provision of employment, training for employment, or employment placement services for individuals with disabilities, or the provision of instructional services to assist such individuals in securing employment, and the charity must supply, on a regular basis, services that are performed, in whole or in part, by individuals with disabilities.

Once designated, all of the otherwise exempt services the charity provides to registrants will be taxable, thereby enabling the charity to claim input tax credits. In addition, a designated charity can use the "Special Quick Method for Public Service Bodies" for calculating its net tax remittances (instead of the "Net Tax Calculation Method for Charities").

There is an exception in the case of the above-noted services involving individuals with disabilities. If the supply of the service is made to a public sector body or to a board, commission or other body established by a government or municipality, supplies provided to these entities will remain exempt. Supplies by the charity of services such as educational or health care services are not affected by the designation and remain exempt.

Charities may request to be designated by writing to the Director, Public Services Bodies and Governments Division, Excise and GST/HST Rulings Directorate, 14<sup>th</sup> Floor, Tower A, Place de Ville, Ottawa K1A 0L5. For further details concerning your application, please contact the Business Enquiries line at 1-800-959-5525.

## Proposed Amendment to Vocational Training Exemption

Bill C-13 proposes amendments to the *Excise Tax Act* (the Act) with regards to vocational training. For purposes of the GST/HST, the Act exempts tuition or examination fees in respect of courses supplied by educational institutions leading to certificates, diplomas, licences, or similar documents, or classes or ratings in respect of licences, that attest to the competence of individuals to practise or perform a trade or vocation.

The existing exemption is subject to conditions that limit its application to cases:

- where the documents, classes or ratings are prescribed by regulation;
- where the supplier is either federally or provincially regulated; or
- where the supplier is a non-profit organization or public institution.

It is proposed that the exemption would apply to supplies made by governments. It is also proposed to repeal the conditions listed above. The repeal of these conditions would ensure that similar vocational training provided in different provinces receives the same GST/HST treatment regardless of the regulatory regime with respect to vocational schools existing in each province.

Finally, the proposed amendments would enable suppliers to elect not to have their supplies exempted under this provision. If the election were made by a supplier, the supplies described above would be taxable (assuming that the supplies were not covered by another exempting provision).

The proposed amendments extending the exemption to supplies by governments and repealing the above conditions are proposed to apply to supplies for which all of the consideration becomes due after October 4, 2000, or is paid after that day without having become due. The proposed amendments also exempt supplies for which consideration became due or was paid on or before October 4, 2000, unless any amount was charged or collected as or on account of tax unless the supplier has already treated the supply as taxable.

For more information regarding these proposed amendments relating to vocational training please contact the Business Enquiries line at 1-800-959-5525 or refer to the February 23, 2001, News Release (2001-017) and accompanying Backgrounder on the Department of Finance Internet site under the heading News Releases, 2001 at this address: <http://www.fin.gc.ca/newse01/01-017e.html>

## Automobile Expense Deduction Limits

On December 20, 2000, Finance Canada issued a Press Release (2000-096) announcing the new automobile expense deduction limits for the year 2001 and the prescribed rates for determining the taxable benefit on automobile operating expenses for businesses.



The ceiling for "passenger vehicles" for capital cost allowance purposes increases from \$27,000 to \$30,000 (plus applicable GST/HST and provincial sales taxes) for purchases after 2000, and the limit on deductible leasing costs will increase from \$700 per month to \$800 per month (plus applicable GST/HST and provincial sales taxes) for leases entered into after 2000. The term "passenger vehicle" has the same meaning for GST/HST purposes as it does for income tax purposes.

The general prescribed rate used to determine the taxable benefit relating to the personal portion of automobile operating expenses paid by employers will increase from 15 cents to 16 cents per kilometre. For taxpayers employed principally in selling or leasing automobiles, the prescribed rate will increase from 12 cents to 13 cents per kilometre.

For GST/HST purposes, registrants who acquire, import, or bring into a participating province, a passenger vehicle for use as capital property in their commercial activities are not entitled to claim an input tax credit in respect of the GST/HST payable on the portion of the cost of the vehicle which exceeds the maximum capital cost for income tax purposes.

Where a registrant leases a passenger vehicle, input tax credits may be claimed in the normal manner. However, if the lease costs exceed the maximum amount deductible for income tax purposes, the input tax credits claimed in excess of the maximum deductible leasing costs are subject to recapture.

A copy of this News Release can be found on the Department of Finance web site at [www.fin.gc.ca](http://www.fin.gc.ca) under News Releases and Speeches, or by going directly to the following address: [www.fin.gc.ca/newse00/00-096e.html](http://www.fin.gc.ca/newse00/00-096e.html)

## Retailer alert

Retailers should remain on the alert for individuals presenting cards which they claim make them exempt from paying both provincial sales taxes and the federal GST/HST.

The only individuals who can purchase goods and services without paying the GST/HST are Indians where;

- the individual presents a *Certificate of Indian Status* card **and**
- the goods are sold on a reserve, or the goods are delivered (by you or your agent) to a reserve; or
- the services (e.g., haircuts, small appliance repairs) are performed entirely on a reserve.

Although some provinces issue tax exemptions from provincial sales tax to farmers, municipalities and other businesses, these exemptions **do not apply** to the GST/HST.

Registrant vendors who **do not** collect the GST/HST from an individual who falsely claims an exemption, must still remit the tax that should have been collected.

Local police forces have indicated that they would like to be informed of individuals attempting to claim GST/HST exemptions to which they are not entitled.

For additional information on "Tax Myths" please consult the following CCRA Internet sites:

### English

<http://www.ccra-adrc.gc.ca/newsroom/ifm/menu-e.html>

### French

<http://www.ccra-adrc.gc.ca/newsroom/ifm/menu-f.html>

## New Distribution Centre Opens in Atlantic Region

The CCRA has opened a new Atlantic Distribution Centre for clients in the Atlantic provinces. With it come new procedures for ordering CCRA guides and forms for Atlantic province clients.

One effect of the change is that, while single copies of common CCRA forms and publications are still available for pick-up at local offices, larger and bulk orders will be shipped to you by mail or courier.

You have four easy ways to request CCRA forms and publications:

**On-line:** Visit the CCRA Internet site. Many guides and forms can be downloaded, or you can use the handy on-line order form: <http://www.ccra-adrc.gc.ca/formspubs/menu-e.html>

**By phone:** Call us toll-free at 1-800-959-2221

**By fax:** Fax your order toll-free to 1-866-869-5011

**In person:** Place your order when you visit your local tax services office. Single copies of many guides and forms are still available for pick-up at your local office.

## Sushi Platters

Recently, the CCRA has become aware that some retailers have not been applying the GST/HST consistently to sales of sushi platters. A tray or platter of sushi is considered to be an arrangement of prepared food and as such is subject to GST at 7% or HST at 15%.

## Recipient of a taxable supply and entitlement to input tax credits



An article on this topic was published in the Winter 2000-2001 GST/HST News (Issue #39). The following serves to clarify the "Exception" paragraph at the end of the article.

The intent of the "Exception" paragraph was to highlight the documentary requirements for claiming input tax credits (ITCs) where it is required to identify the recipient on supporting documentation.

As an alternative to indicating the name of the recipient, it is acceptable that the sales invoice or other supporting documentation indicate the name of the recipient's duly authorized agent or representative.

**Agent:** Where a person is acting solely in its capacity as agent when it agrees to pay for a supply, the principal is the recipient of the supply and liable to pay the tax. The principal may claim an ITC provided that the conditions for claiming the ITC are met.

**Representative:** However, where the person is merely the person's representative, the representative is the recipient if it agrees to pay for the supply. Whether or not the representative will be able to claim an ITC will depend on whether the conditions for claiming an ITC are met.

Where a person's representative negotiates with a supplier on the person's behalf, but the person actually enters into the agreement for the supply and the person is liable to pay for the supply, the person is the recipient and may claim the ITC even if the supplier has only indicated the name of the representative on the invoice. To substantiate the ITC, the person will have to maintain evidence (e.g., agreement in writing) to establish that it is the recipient.

For more information on ITCs please refer to the 400 series of *GST Memoranda* which discuss input tax credits in detail. They are available on the CCRA Internet site at this address: <http://www.ccra-adrc.gc.ca/menu/EmenuKEE.html>

## **Excise Tax Corner**

### *Objections and Appeals*

Pursuant to the *Excise Tax Act* (the Act) any person who has been assessed in respect of excise taxes, either by Notice of Determination in the case of refunds, or Notice of Assessment in the case of assessments, has the right to appeal the determination or assessment. The person must file a Notice of Objection (Form E413) setting out the reasons for the objection and all relevant facts on which the person relies.

The objection must be filed within ninety days after the day on which the Notice of Determination/Assessment was sent. The required form (Form E413) is available on the CCRA's Internet site under Forms and Publications or by using the exact address [www.ccra-adrc.gc.ca/E/pbg/cf/e413bq/README.html](http://www.ccra-adrc.gc.ca/E/pbg/cf/e413bq/README.html)

Should the appellant not receive a favourable decision to the objection filed, the decision may be appealed to the Canadian International Trade Tribunal or the Federal Court - Trial Division within ninety days of the date the Notice of Decision is sent to the person.

#### *Notice of Objection - Purchaser (Form E 414):*

The Act allows a purchaser to object to a Notice of (Re)Assessment or Notice of Determination issued to a supplier relating to transactions with the purchaser in question. In effect, it transfers the rights to appeal to the purchaser, provided the supplier has assigned its rights to the purchaser in respect of the transaction(s).

The Act specifies a number of conditions that must be met before the purchaser can avail itself of this option and the notice must be filed within 120 days of the date on the notice issued to the supplier. The required form to file this objection is E 414 and is available on the CCRA's Internet site under Forms and Publications or by using the exact address: [www.ccra-adrc.gc.ca/E/pbg/cf/e414bq/README.html](http://www.ccra-adrc.gc.ca/E/pbg/cf/e414bq/README.html).

For further information on either of these two issues, please direct your inquiries to the Business Enquiries line at 1-800-959-5525.

## **What's new in publications**

### *GST/HST Memoranda Series*

#### *Memorandum 3.3.1 Drop Shipments*

#### *Memorandum 17.14 Election for Exempt Supplies*

### *GST/HST Guides*

#### *RC4028 GST/HST New Housing Rebate*

#### *RC4081 GST/HST Information for Non-Profit Organizations*

Current publications can be found on the CCRA Internet site at [www.ccra-adrc.gc.ca](http://www.ccra-adrc.gc.ca) at the following address: [www.ccra-adrc.gc.ca/menu/EmenuHDA.html](http://www.ccra-adrc.gc.ca/menu/EmenuHDA.html) for guides, pamphlets, forms, and the *GST/HST News*, or at [www.ccra-adrc.gc.ca/menu/EmenuKZW.html](http://www.ccra-adrc.gc.ca/menu/EmenuKZW.html) for GST/HST Memoranda, Technical Information Bulletins, Policy Papers and Notices.

## **Prescribed rates of interest**

GST/HST interest and penalty compound daily. Income tax interest also compounds daily. For excise duty, penalty compounds monthly, and interest compounds daily. For all other taxes noted below, penalties and interest are calculated monthly for each month or part-month in which a balance remains. The total amount payable is based on the total tax, penalties, and interest outstanding. Prescribed interest rates are adjusted every calendar quarter.



These rates of interest are also available on the CCRA Internet site at this address:  
<http://www.ccra-adrc.gc.ca/E/pub/gi/prierem/README.html>

	GST/HST, Excise Tax (annualized rates)		Excise Duty (annual rates)		Income Tax (annual rates)	
	Interest % *	Penalty %	Interest %	Penalty %	Refund Interest %	Arrears and Instalment Interest %
2001						
January 1 - March 31	6.0833	6.0	8.0	6.0	8.0	10.0
April 1 - June 30	4.8132	6.0	8.0	6.0	8.0	10.0

\* To calculate interest for GST/HST purposes only, divide the adjusted annual interest rate by 365 and apply it daily.

## TIS Operations Name Change

The Excise and GST/HST Rulings Directorate, Policy and Legislation Branch, has a field component operating under the name *Technical Interpretation Services* (TIS). TIS officers provide technical interpretations and rulings to registrants in their own regions. TIS operations are housed in the following tax services offices: Halifax, Ottawa, Toronto, Hamilton, London, Winnipeg, Saskatoon, Calgary, Edmonton and Vancouver.

As of April 1, 2001, Technical Interpretation Services will be called **GST/HST Rulings**.

## GST/HST Enquiries

To make enquiries regarding your GST/HST account call Business Enquiries at 1-800-959-5525

To make enquiries regarding the status of specific GST/HST domestic rebate claims call 1-800-565-9353

To make enquiries regarding the status of visitor rebate claims call 1-800-668-4748/1-800-668-4748

To obtain copies of forms and publications call 1-800-959-2221

Canada

Copyright/Disclaimer





# GST/HST News

No. 43

Winter 2001 – 2002

## Contents

GST/HST News Electronic Mailing List .....	1
Tax Myth – Individual GST/HST Exemptions .....	1
Services Supplied by Agents – Reminder .....	2
50% Limitation for Food, Beverages, and Entertainment ..	2
Memberships Acquired by Indians .....	2
Annual Filers – Reminder .....	3
First Nations Tax (FNT) .....	3
Allowances Paid to Employees, Partners, or Volunteers for the Use of a Motor Vehicle .....	3
Third-Party Penalty Guidelines .....	3
Get Your GST/HST Refund faster ..	3
Fall 2001 Edition No. 42 .....	4
Designated Hospital Authorities and Long-Term Care Facilities .....	4
Other Articles Published in the Fall 2001 Newsletter .....	4
Summer 2001 Edition No. 41 .....	5
Crediting of Accommodation Rebate to Non-Residents .....	5
Other Articles Published in the Summer 2001 Newsletter .....	6
Spring 2001 Edition No. 40 .....	6
Designated Charities .....	6
Other Articles Published in the Spring 2001 Newsletter .....	6
What's New in Publications .....	7
Prescribed Rates of Interest .....	8
Business Registration on the Internet .....	8
GST/HST and Electronic Commerce .....	8
GST/HST Enquiries .....	8

## GST/HST News Electronic Mailing List

We are introducing a new electronic service for registrants. Starting January 2002, you will be able to subscribe to an online mailing list for this newsletter.

Although *GST/HST News* has been available on the Internet, we will now be able to notify you every quarter when the newsletter is published and provide you with a link to the most current edition.

We will be augmenting the mailing list options during the year, and once this electronic subscription service is established, we will be asking you if you wish to receive other GST/HST publications as they become available.

To join the mailing list, you must provide your email address, and you will be asked to read the Canada Customs and Revenue Agency (CCRA) privacy statement before you confirm your request.

To find out more about CCRA mailing lists and to subscribe to the *GST/HST News*, please go to this CCRA Internet address:  
[www.ccra.gc.ca/gsthstnews](http://www.ccra.gc.ca/gsthstnews)

## Tax Myth – Individual GST/HST Exemptions

### Myth

Individuals have a right or a moral obligation not to pay GST/HST, and some carry a card to “prove” their claim.

### The Facts

The legislation does **not** provide tax exemption to **any** individuals except for Indians, as defined in the *Indian Act*, who acquire goods or services on a reserve.

GST/HST registrants are reminded that they must account for the GST/HST collectible on all taxable transactions. The tax must be accounted for and any positive amount of net tax must be remitted even if the tax was not collected from a purchaser who falsely claimed an exemption.

If you have questions about Canada's tax laws, please call 1-800-959-5525, or for more information on tax myths, visit our program site at [www.ccra.gc.ca/myths](http://www.ccra.gc.ca/myths)

More Ways to Serve You!

Pour vous servir encore mieux !



Canada Customs  
and Revenue Agency

Agence des douanes  
et du revenu du Canada

Canada



## Services Supplied by Agents – Reminder

Generally, since April 1996, if you are a registrant who acts as an agent in making supplies of goods (otherwise than by auction) on behalf of a principal, you are required to collect and account for the tax on your taxable (other than zero-rated) supplies of services made to the principal. You must collect and account for the tax on your services regardless of the tax status of the goods that you supply on the principal's behalf and whether you have made a joint election (Form GST506) with the principal to account for and remit the tax collectible by the principal on the goods.

If the principal is not required to collect tax in respect of the goods (other than zero-rated or exempt goods), which is generally where the principal is not a registrant, the goods that you supply on the principal's behalf are considered to have been supplied by you, rather than the principal. As such, you are required to collect and account for the tax payable on those goods. You are not, however, considered to have supplied services to the principal in relation to those goods and are consequently not required to collect and account for the tax on those services.

For a more detailed explanation, including the rules for auctioneers, see GST/HST Memorandum 3.1, *Liability for Tax*, under the subtitle *Agents and Auctioneers* at [www.ccra.gc.ca/E/pub/gm/3-1em/3-1-e.htm](http://www.ccra.gc.ca/E/pub/gm/3-1em/3-1-e.htm)

## 50% Limitation for Food, Beverages, and Entertainment

For income tax purposes, an amount payable for the rental of a fishing lodge cannot be deducted in computing a taxpayer's income where the main activity is the entertainment or recreation of clients, shareholders, or employees. For GST/HST purposes, a registrant may be entitled to claim an input tax credit (ITC) for such an expense. However, ITCs for food, beverages and entertainment expenses are effectively limited to 50% where the expenses are subject to the 50% limitation for income tax purposes.

In the case of the rental of the fishing lodge, the amount payable is deemed to be 50% of the amount actually payable for income tax purposes. However, the amount may not be deducted in computing the taxpayer's income. Although an ITC may be claimed for the rental of the fishing lodge provided that all the conditions for claiming an ITC are met, the ITC is still subject to the 50% limitation for food, beverages, and entertainment expenses.

This position applies equally to other food, beverages, and entertainment expenses where a deduction is denied for income tax purposes and the provision is not mirrored for GST/HST purposes to deny an ITC. For example, where an income tax deduction is not available for a third convention held within a year, ITCs may be claimed for expenses relating to that convention, but they are subject to the 50% limitation where an income tax deduction is not possible.

## Memberships Acquired by Indians

Property may be acquired on a reserve or delivered to a reserve by an Indian, an Indian Band, or a band-empowered entity without payment of the GST/HST provided that certain conditions are met.

A membership comprises various rights to property or services, and therefore, is considered intangible personal property. Since it is intangible personal property and not a physical object that can be delivered to a reserve, the place where the membership is able to be used matters. For tax relief to apply, the rights provided by the membership must be exercisable exclusively on a reserve to be considered "situated" on a reserve.

For example, where the rights to property or services in respect of a recreation centre membership can only be used or exercised exclusively on a reserve, that membership will be situated on a reserve. An Indian, an Indian Band, or a band-empowered entity may acquire an otherwise taxable membership on a tax-relieved basis where the membership rights can only be used exclusively on a reserve and all other conditions set out under TIB-039R, *Administrative Policy Application of GST to Indians*, are met.

For more information regarding the tax status of memberships please see TIB-039R at [www.ccra.gc.ca/E/pub/gm/b-039rem/b-039r-e.html](http://www.ccra.gc.ca/E/pub/gm/b-039rem/b-039r-e.html)

## Annual Filers – Reminder

Clients with an annual extended GST/HST filing period are reminded that they must use Form GST58, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Remittance*, (personalized) when remitting any net GST/HST owing for the preceding year. Form GST58 and the accompanying remittance are due by April 30th of each calendar year.

Annual extended filers are also reminded that they must use the Form GST34, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return for Registrants*, (personalized) when filing their GST/HST tax return. This return is due by June 15th of each calendar year.

## First Nations Tax (FNT)

The Councils of the Tzeachten and Adams Lake First Nations have passed a by-law that imposes a 7% tax on the supply of tobacco products, fuel, and alcoholic beverages sold on the Tzeachten and Adams Lake First Nation reserves in British Columbia.

The Council of the Tzeachten First Nation approved this tax as the Tzeachten Sales Tax, effective July 1, 2001. The Council of the Adams Lake First Nation approved this tax as the Adams Lake Community Improvement Fee, effective May 1, 2001.

These First Nation Taxes are similar to Westbank, Kamloops, Sliammon, Chemainus, and Buffalo Point FNTs that are currently in place. The CCRA is administering the FNT on behalf of these First Nations.

Please refer to the publication RC4072, *First Nations Tax (FNT)*, at [www.ccra.gc.ca/E/pub/cp/rc4072eq/rc4072eq.html](http://www.ccra.gc.ca/E/pub/cp/rc4072eq/rc4072eq.html) which provides more details.

## Allowances Paid to Employees, Partners, or Volunteers for the Use of a Motor Vehicle

Starting January 1, 2001, where an allowance paid by an employer is a combination of a flat-rate and a reasonable per-kilometre rate that covers the same use for the vehicle, the total combined allowance must be included in the employee's income for income tax purposes. In these cases, the allowance is deemed not to be reasonable. For more information, employers may refer to the *Employers' Guide – Taxable Benefits 2001-2002* (T4130), at [www.ccra.gc.ca/E/pub/tg/t4130eq/t4130eq.html](http://www.ccra.gc.ca/E/pub/tg/t4130eq/t4130eq.html)

For GST/HST purposes, a person cannot claim an input tax credit (ITC) or rebate in respect of a motor vehicle allowance where the allowance is not reasonable for income tax purposes. Therefore, as a result of the above change, a person cannot claim an ITC or a rebate for such combined allowances paid to their employees, paid to partners where the person is a partnership, or paid to volunteers where the person is a charity or public institution as of January 1, 2001. In these cases, an employee or partner may be able to deduct certain motor vehicle expenses for income tax purposes and therefore, may be entitled to claim the rebate by using Form GST370, *Employee and Partner GST/HST Rebate Application*, at [www.ccra.gc.ca/E/pbg/gf/gst370eq/README.html](http://www.ccra.gc.ca/E/pbg/gf/gst370eq/README.html)

## Third-Party Penalty Guidelines

Information Circular 01-1, *Third-Party Civil Penalties*, is now on the CCRA Internet site. The circular governs how the CCRA can take action against persons who counsel others to file income tax and GST/HST returns based on false or misleading information, or who turn a blind eye to false information provided by their clients for tax purposes.

More detailed information concerning third-party penalty guidelines can be found on the CCRA Internet site at [www.ccra.gc.ca/newsroom/releases/2001/oct/thirdparty-e.html](http://www.ccra.gc.ca/newsroom/releases/2001/oct/thirdparty-e.html)

## Get Your GST/HST Refund Faster

You can get your GST/HST refunds faster by taking advantage of the GST/HST TELEFILE service and using direct deposit. The service is available six days a week from Monday to Saturday. You can request your refund to be deposited directly to your account by using Form GST469, *Direct Deposit Request*. To obtain more information on GST/HST TELEFILE and direct deposit, see the CCRA Internet site, visit a tax services office, or call the Business Enquiries line.



## Fall 2001 Edition No. 42

### Designated Hospital Authorities and Long-Term Care Facilities

Only an organization designated as a hospital authority is entitled to claim a rebate of 83% of the GST/HST paid on property and services acquired by it for use in the operation of a public hospital facility.

An organization may be designated as a hospital authority if it operates a public hospital. A facility is a public hospital for GST/HST purposes where:

- it is recognized as a public hospital by the government of the province in which it is located;
- it is established and operated otherwise than for profit;
- it is operated for the medical or surgical treatment of the sick or injured; and
- it provides and maintains in-patient beds and services.

When a facility no longer meets all four of the requisite criteria to be considered a public hospital, the facility is no longer considered to be a public hospital at that time. The hospital authority would therefore no longer be entitled to claim a GST/HST rebate at the 83% rate for this facility from the day the facility no longer qualified as a public hospital.

The hospital authority designation may not permit an organization to claim an 83% GST/HST rebate for the tax it incurred for all of its activities. For example, if a designated hospital authority also operates a long-term care facility such as a nursing home, the authority cannot claim

the GST/HST rebate at the rate of 83% for purchases acquired for use in the operation of the long-term care facility as this facility does not satisfy all four criteria noted above. However, in these circumstances, the hospital authority may be entitled to a rebate at the rate of 50%.

Long-term care facilities such as nursing homes and residential care facilities, operated by either a hospital authority, a charity, or a non-profit organization without certification as a public hospital, may qualify for a rebate as a non-profit organization or charity at the rate of 50%. For example, if a hospital authority operates a hospital and a nursing home, the hospital authority may claim a rebate at the rate of 50% for any goods or services purchased to operate the nursing home.

To claim a rebate at the rate of 50%, a long-term care facility must be registered as a charity for income tax purposes, be a non-profit organization receiving at least 40% government funding, or be a non-profit organization operating a health care facility to provide intermediate care service or residential care service to individuals with limited physical or mental capacity for self-supervision and self-care.

For more information, please refer to GST/HST Memorandum 25.2, *Designation of Hospital Authorities*, at [www.ccra.gc.ca/menu/EmenuKSZ.html](http://www.ccra.gc.ca/menu/EmenuKSZ.html), or for information regarding rebates and public service bodies, please see GST/HST Guide RC4034, *GST/HST Public Service Bodies' Rebate*, at [www.ccra.gc.ca/E/pub/gp/rc4034eq/rc4034eq.html](http://www.ccra.gc.ca/E/pub/gp/rc4034eq/rc4034eq.html)

### Other Articles Published in the Fall 2001 Newsletter

These articles were also published in the Fall 2001 edition of the newsletter (No. 42) and can be found at [www.ccra.gc.ca/E/pub/g/news42eq/news42-e.html](http://www.ccra.gc.ca/E/pub/g/news42eq/news42-e.html)

#### Bills C-13 and C-26 Receive Royal Assent

Bills C-13 and C-26 received Royal Assent on June 14, 2001, and are now law. Bill C-13 enacts measures relating mainly to the GST/HST. Included are measures relating to the Export Distribution Centre Program, the New Residential Rental Property Rebate, vocational training, electronic filing of GST/HST returns, non-residents and cross-border transactions. Bill C-26 enacts tobacco tax measures announced in the February 2000 federal budget and the Department of Finance press release of April 5, 2001.

#### New Residential Rental Property Rebate

This article discusses how to claim the New Residential Rental Property Rebate directly on your GST/HST return.

#### Reminder for Builders Filing GST/HST New Housing Rebates

This article discusses how qualified builders may pay or credit new housing rebates to eligible purchasers when they receive a signed Form GST190, *GST/HST New Housing Rebate Application*, from their purchasers/clients. A penalty of \$100 per application may be levied in the absence of the form.

**cont.**

### **Self-Supply Rules for Residential Complex Builders**

This article discusses where self-supply rules apply to builders who rent or occupy a residential property, which they have constructed, and that these builders must generally pay the GST/HST on the fair market value of the residential property.

### **Multi-Employer Pension Plan Trust Rebate**

This article discusses a rebate to a trust governed by a multi-employer pension plan. The rebate for property and services that are acquired, imported, or brought into an HST-participating province for consumption, use, or supply in relation to the plan.

### **Specially Equipped Motor Vehicle Rebate**

This article discusses how a purchaser of a specially equipped motor vehicle may be entitled to a rebate that allows a GST/HST registrant supplier to pay or credit the purchaser the amount of the rebate directly to the purchaser, eliminating the requirement for the purchaser to pay the GST/HST attributable to the vehicle's special features or adaptations at the point of sale.

### **Excise Duty Corner**

This article discusses the *Excise Act* Review. On the basis of consultations with industry associations and members, provincial liquor boards, federal and provincial enforcement agencies, and other stakeholders, proposed legislation to implement a new *Excise Act* is currently being finalized for tabling in Parliament.

### **Tangible Personal Property Delivered Outside Canada**

This article discusses how a supply of tangible personal property made by a supplier to a recipient is zero-rated if the supplier delivers the property to a common carrier under certain conditions or mails the property for export and delivery to a place outside Canada. Possession of the vehicle must pass from the dealer to the carrier for direct shipment outside Canada. The dealer must maintain sufficient evidence (bill of lading, customs documentation for the country of destination, etc.) that the property has been sent outside of Canada.

## **Summer 2001 Edition No. 41**

### **Crediting of Accommodation Rebate to Non-Residents**

In light of the upcoming high season in tourism, registrants who supply eligible accommodation (included in a tour package or not) consisting of short-term accommodation, such as at hotels, or camping accommodation, such as at campgrounds, may wish to review the following general conditions for paying or crediting the non-resident accommodation rebate to their non-resident customers.

Where a registrant pays or credits the rebate to a non-resident in accordance with certain conditions, the registrant may claim a corresponding deduction in determining the net tax for the reporting period that includes the

later of the last day on which any tax to which the rebate relates became payable, and the day on which the rebate is paid or credited or, for any reporting period for which a return is filed within one year after the later of those days.

A registrant who makes a supply of eligible accommodation may voluntarily pay or credit the rebate to an eligible recipient who is either:

- a non-resident individual or a non-resident person who is acquiring the accommodation for **use** in the course of its business, such as a company acquiring accommodation for its employees travelling on business; or
- a non-resident person who is acquiring the accommodation for **supply** in the ordinary course of its business of making such supplies, such as a tour operator.

In the case of a rebate to a non-resident who is not in the business of resupplying accommodation, the rebate can *only* be credited in the following two circumstances:

- 1) the payment for the supply of the eligible accommodation is made at a place outside Canada where the supplier or its agent is conducting business; or
- 2) where the eligible accommodation is supplied as part of a tour package that includes other goods or services (other than meals or room-related charges):

- the recipient pays to the supplier a deposit of at least 20% of the total consideration for the tour package at least 14 days before the first day any eligible accommodation in the package is made available under the agreement, and



**cont.**

- the payment is made by means of a credit card or charge card issued by, or a cheque, draft or other bill of exchange drawn on an account outside Canada with, a non-resident institution that is a bank, cooperative credit society, trust company or similar institution. If the deposit is paid by means of a credit card or charge card, it is not considered to be paid until the supplier's account is actually credited for the amount of the deposit.

For more information about this topic, including rebate eligibility criteria, please refer to the CCRA guide RC4036, *GST/HST Information for the Travel and Convention Industry*. Page 20 of this guide explains in detail how registrants may pay or credit the rebate to non-residents. It can be found at [www.ccra.gc.ca/E/pub/tg/rc4036eq/README.html](http://www.ccra.gc.ca/E/pub/tg/rc4036eq/README.html)

### Other Articles Published in the Summer 2001 Newsletter

These articles were published in the Summer 2001 edition of the newsletter (No. 41) and can be found at [www.ccra.gc.ca/E/pub/gr/news41eq/news41-e.html](http://www.ccra.gc.ca/E/pub/gr/news41eq/news41-e.html)

### Press Release – April 12, 2001

On April 12, 2001, the Minister of Finance announced proposed refinements to the GST/HST.

These amendments would allow the sale and importation of plasma expander and industrial hemp to be zero-rated.

### GST/HST TELEFILE

This article announced the GST/HST TELEFILE service where businesses can file GST/HST returns using a touch-tone telephone and a toll-free number.

### Retaining Electronic Records

This article discusses the CCRA policy regarding electronic records.

### Visitor Rebate Program – Proof of Export

This article discusses the proof of export validation for visitor rebates, which is now implemented at land borders.

## Spring 2001 – Edition No. 40

### Designated Charities

The *Excise Tax Act* provides that certain charities may apply for designated charity status. In order to be eligible, one of the charity's main purposes must be to provide employment, training for employment, or employment placement services for individuals with disabilities, or to provide instructional services to assist such individuals in securing employment. The charity must supply, on a regular basis, services that are performed, in whole or in part, by individuals with disabilities.

Once designated, all of the otherwise exempt services the charity provides to registrants will be taxable, thereby enabling the charity to claim input tax credits. In addition, a designated charity can use the "Special Quick Method for Public Service Bodies" for calculating its net tax remittances (instead of the "Net Tax Calculation Method for Charities").

There is an exception in the case of the above-noted services involving individuals with disabilities. If the supply of the service is made to a public sector body or to a board, commission, or other body established by a government or municipality, supplies provided to these entities will remain exempt. Educational or health care services supplied by the charity are not affected by the designation and remain exempt.

Charities may request to be designated by writing to the Director, Public Services Bodies and Governments Division, Excise and GST/HST Rulings Directorate, 14th floor, Tower A, Place de Ville, Ottawa ON K1A 0L5. For further details concerning your application, please contact the Business Enquiries line at 1-800-959-5525.

### Other Articles Published in the Spring 2001 Newsletter

These articles were also published in the Spring 2001 edition of the newsletter (No. 40) and can be found at [www.ccra.gc.ca/E/pub/gr/news40eq/news40-e.html](http://www.ccra.gc.ca/E/pub/gr/news40eq/news40-e.html)

### Section 167 Election Concerning the Supply of a Business or Part of a Business

This article discusses who is eligible to make the section 167 election when supplying a business or part of a business.

### Nisga'a government entities

The *Nisga'a Final Agreement Act* came into effect on May 11, 2000. As a result of this legislation, Nisga'a governments will pay the GST/HST when acquiring taxable goods and services.

**cont.****Automobile Expense Deduction Limits**

This article announces the new automobile expense deduction limits for the year 2001 and the prescribed rates for determining the taxable benefit on automobile operating expenses for businesses.

**Sushi Platters**

This article confirms the CCRA policy that a tray or platter of sushi is considered to be an arrangement of prepared food and as such is subject to GST at 7% or HST at 15%.

**Recipient of a Taxable Supply and Entitlement to Input Tax Credits**

An article on this topic was published in the Winter 2000-2001 *GST/HST News* (Edition No. 39). This article serves to clarify the "Exception" paragraph at the end of the article.

**Proposed Amendment to Vocational Training Exemption**

This article discusses the Bill C-13 proposed amendments to the *Excise Tax Act* with regards to vocational training.

**Excise Tax Corner**

This article discusses the objection and appeal process available to any person who has been assessed in respect of excise taxes, either by Notice of Determination in the case of refunds, or Notice of Assessment in the case of assessments.

**What's New in Publications****GST/HST Memoranda Series**

Memorandum 17.1.1	<i>Products and Services of Investment Dealers</i>
Memorandum 17.14	<i>Election for Exempt Supplies</i>
Memorandum 17.16	<i>GST/HST Treatment of Insurance Claims</i>
Memorandum 19.5	<i>Land and Associated Real Property</i>

**GST/HST Guides**

RC4028	<i>GST/HST New Housing Rebate</i>
RC4031	<i>Tax Refund for Visitors to Canada</i>
RC4036	<i>GST/HST Information for the Travel and Convention Industry</i>
RC4072	<i>First Nations Tax (FNT)</i>
RC4081	<i>GST/HST Information for Non-Profit Organizations</i>
RC4117	<i>Tax Refund for Business Travel to Canada</i>
RC4231	<i>GST/HST New Residential Rental Property Rebate</i>

**Technical Information Bulletins**

B-087	<i>GST/HST New Residential Rental Property Rebate</i>
B-088	<i>Export Distribution Centre Program</i>

Current publications can be found at [www.ccra.gc.ca/tax/business/gsthst/menu-e.html](http://www.ccra.gc.ca/tax/business/gsthst/menu-e.html) for guides, pamphlets, forms, and the *GST/HST News*, or at [www.ccra.gc.ca/menu/EmenuKZW.html](http://www.ccra.gc.ca/menu/EmenuKZW.html) for GST/HST Memoranda, Technical Information Bulletins, Policy Papers, and Notices.



## Prescribed Rates of Interest

**G**ST/HST interest and penalty compound daily. Income tax interest also compounds daily. For excise duty, penalty compounds monthly, and interest compounds daily. For excise tax, penalties and interest are calculated monthly for each month or part-month in which a balance remains. The total amount payable is based on the total tax, penalties, and interest outstanding. Prescribed interest rates are adjusted every calendar quarter.

These rates of interest are also available at [www.ccra.gc.ca/E/pub/gi/priereq/prier-e.html](http://www.ccra.gc.ca/E/pub/gi/priereq/prier-e.html)

	GST/HST, Excise Tax (annualized rates)		Excise Duty (annual rates)		Income Tax (annual rates)	
	Interest* %	Penalty %	Interest %	Penalty %	Refund Interest %	Arrears and Instalment Interest %
<b>2002</b>						
January 1 – March 31	2.4333	6.0	5.0	6.0	5.0	7.0
<b>2001</b>						
October 1 – December 31	4.7609	6.0	7.0	6.0	7.0	9.0
July 1 – September 30	4.7609	6.0	8.0	6.0	7.0	9.0
April 1 – June 30	4.8132	6.0	8.0	6.0	8.0	10.0
January 1 – March 31	6.0833	6.0	8.0	6.0	8.0	10.0

\* To calculate interest for GST/HST purposes only, divide the adjusted annual interest rate by 365 and apply it daily.

## Business Registration on the Internet

**B**usinesses can now register themselves for the CCRA, Nova Scotia, and Ontario business programs on the Internet. This easy-to-use, one-stop service guides Internet users through the registration process. A series of questions helps users determine the government programs they need. To find out more information or to register, visit [www.businessregistration.gc.ca](http://www.businessregistration.gc.ca)

## GST/HST and Electronic Commerce

**T**he Excise and GST/HST Rulings Directorate has released a discussion paper which contains the results of a review of the administration of the current GST/HST legislation in an electronic commerce environment and we invite you to comment on it.

The paper is available on the CCRA Internet site under the Technical Information – GST/HST menu at [www.ccra.gc.ca/menu/EmenuKZW.html](http://www.ccra.gc.ca/menu/EmenuKZW.html)

## GST/HST Enquiries

To make enquiries regarding your GST/HST account, call  
Business Enquiries at  
1-800-959-5525

To make enquiries regarding the status of specific GST/HST domestic rebate claims, call  
1-800-565-9353

To make enquiries regarding the status of visitor rebate claims, call  
1-800-668-4748

To obtain copies of forms and publications call,  
1-800-959-2221

**T**he *GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), as well as excise taxes and duties. This publication is provided for information purposes only and does not replace law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Canada Customs and Revenue Agency (CCRA) tax services office or call Business Enquiries at 1-800-959-5525.

Comments or suggestions about the newsletter should be sent to the Editor, *GST/HST News*, Policy and Legislation Branch, CCRA, Ottawa, Ontario K1A 0L5.

ISSN 1183-689X



**GST/HST News #44**

**Spring 2002**

**Standard Disclaimer**

The *GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), as well as excise taxes and duties. This publication is provided for information purposes only and does not replace the law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Canada Customs and Revenue Agency (CCRA) tax services office or call Business Enquiries at 1-800-959-5525. Comments or suggestions about the newsletter should be sent to the Editor, *GST/HST News*, Policy and Legislation Branch, CCRA, Ottawa, Ontario K1A 0L5.  
ISSN 1183-689X

**Table of Contents**

<b>TAX MYTH - INDIVIDUAL GST/HST EXEMPTIONS .....</b>	<b>2</b>
<b>PRESS RELEASE - RETURNABLE BEVERAGE CONTAINERS .....</b>	<b>2</b>
<b>PRESS RELEASE - STUDENT TRANSPORTATION SERVICES.....</b>	<b>3</b>
<b>PRESS RELEASE - NOVA SCOTIA NEW HOUSING REBATE AND SPEECH THERAPISTS' SERVICES .....</b>	<b>3</b>
<b>AIR TRAVELLERS SECURITY CHARGE.....</b>	<b>4</b>
<b>REMINDER - TIME LIMITS FOR INDIANS AND INDIAN BANDS MAKING GST/HST GENERAL REBATE CLAIMS .....</b>	<b>5</b>
<b>SHUSWAP FIRST NATION TAX (KINBASKET FIRST NATION TAXATION).....</b>	<b>6</b>
<b>EXCISE ACT, 2001 .....</b>	<b>6</b>
<b>APPLICATION OF GST/HST TO YUKON FIRST NATIONS AND YUKON INDIANS.....</b>	<b>6</b>
<b>WHAT'S NEW IN PUBLICATIONS.....</b>	<b>8</b>
<b>PRESCRIBED RATES OF INTEREST .....</b>	<b>9</b>
<b>GST/HST ENQUIRIES.....</b>	<b>9</b>







## Tax Myth - Individual GST/HST Exemptions

### Myth

Individuals have a right or a moral obligation not to pay GST/HST and some carry a card to “prove” their claim.

### The Facts

The law does **not** provide relief from the GST/HST to **any** individuals except for Indians, as defined in the *Indian Act*, who acquire goods or services on a reserve.

GST/HST registrants are reminded that they must account for the GST/HST collectible on all taxable transactions. **The tax must be accounted for and any positive amount of net tax must be remitted even if the tax was not collected from a purchaser who falsely claimed an exemption.**

If you have questions about Canada’s tax laws, please call 1-800-959-5525, or for more information on tax myths, visit our program site at: [www.ccr-aadrc.gc.ca/myths](http://www.ccr-aadrc.gc.ca/myths)

## Press Release - Returnable Beverage Containers

On February 8, 2002, a Notice of Ways and Means Motion to amend the *Excise Tax Act* was tabled in the House of Commons. The proposed amendments relate to the treatment of beverage container deposits under the GST/HST.

Currently, special GST/HST rules apply to deposits paid on returnable beverage containers such as soft drink cans and beer bottles. These rules provide for the reimbursement of the GST/HST paid on the refundable deposit where the container is returned to a retailer or an authorized depot. They were designed to simplify the application of the tax to refundable containers, particularly for retailers. However, they have proven complex to apply in practice, particularly given the different provincial regimes governing deposits on returnable containers.

Following consultations with the industry, the amendments were developed to simplify compliance. Under the proposed amendments, deposits that are refundable to the consumer will be excluded from the GST/HST base. However, all non-refundable levies or handling charges would continue to be subject to tax on the same basis as the beverage, as is the case under the current rules.

In most provinces, provincially established deposits are currently treated as including the GST/HST. Therefore, in most cases, this change will affect neither the total amount charged as a deposit nor the total amount refunded to the consumer.

These amendments are proposed to apply to sales of new, filled and sealed returnable beverage containers made on or after May 1, 2002. Transitional rules are provided for the period between May 1 and July 15 to take into account that there will be containers in circulation on May 1 that would have been sold under the existing rules, treating the entire deposit as taxable.





Another related amendment is proposed to clarify that the existing special rules for retail sales of beverages in returnable containers do not apply to sales of beverages for on-premises consumption, as is typically the case in bars and restaurants. This amendment is proposed to apply to sales made after February 8, 2002, as well as to any sales prior to this date where sellers did not apply the special rules in respect of their sales of beverages for on-premises consumption.

Please see the Department of Finance Web site (<http://www.fin.gc.ca/news02/02-014e.html>) for details of this Way and Means Motion. The CCRA will be publishing a Technical Information Bulletin (TIB) to explain these rules in detail.

## **Press Release – Student Transportation Services**

The Minister of Finance announced a proposed amendment to the *Excise Tax Act* on December 21, 2001.

The proposed GST/HST amendment relates to the treatment of school authorities and their provision of student transportation services. The proposed amendment ensures that the service of transporting elementary or secondary school students to or from a school operated by a school authority is treated as an exempt service where it is supplied by a school authority to a person other than another school authority.

The proposed amendment does not affect users of school bus services. It is intended to ensure that the provision of these services by school authorities continues to be treated as an exempt activity under the GST/HST.

To ensure consistent exempt treatment regardless of how these services may have been funded, the amendment is proposed to be effective from the date of introduction of the GST (1991). However, the proposed amendment will not affect any case that has already been decided by the Federal Court.

For more detailed information please see the Department of Finance Internet site at this address: <http://www.fin.gc.ca/news01/01-126e.html>

## **Press Release – Nova Scotia New Housing Rebate and Speech Therapists' Services**

The Minister of Finance released draft amendments to the *Excise Tax Act* on December 28, 2001.

The draft amendments modify the existing new housing rebate for the provincial portion of the HST in Nova Scotia. As announced by the government of Nova Scotia in its 2001 budget, this rebate will be targeted to first-time homebuyers and capped at a new maximum (\$1,500) starting on January 1, 2002.





To qualify as a first time home buyer, the individual and their spouse or common-law partner must not have owned and occupied a home in Canada within the preceding five years. For builder-built homes, the five-year period will be determined from the date of ownership or possession, whichever is earlier, of the new home. For owner-built homes, the five-year period will be determined from the date of substantial completion of the new home.

The rules to determine whether the existing Nova Scotia New Housing HST Rebate or the Nova Scotia First Time Home Buyers HST Rebate apply are as follows:

- For builder-built homes, the existing rebate rules will apply if:
  - a) a sale and purchase agreement in respect of the home was entered into on or before December 31, 2001; and
  - (b) occupation of the home as a primary place of residence by the owner or by a relation of the owner and either ownership or possession of the home under the agreement for sale and purchase takes place on or before June 30, 2002, except for condominium units - in which case, the Government of Nova Scotia has announced that the deadline is December 31, 2002.
- For owner-built homes, the existing rebate rules will apply if:
  - (a) a building permit in respect of the home is issued on or before December 31, 2001; and
  - (b) the home is occupied as a primary place of residence by the owner or by a relation of the owner on or before June 30, 2002.

The second proposed measure extends, to the end of 2002, the GST/HST exemption for speech therapists' services. This will allow additional time for the completion of a regulatory process now underway that will result in these services meeting the criteria for exemption under the GST/HST on a permanent basis.

More detailed information about these draft amendments is available on the Department of Finance Internet site at this address: <http://www.fin.gc.ca/news01/01-127e.html>

## **Air Travellers Security Charge**

As announced in the Federal Budget of December 10, 2001, the federal government will introduce an Air Travellers Security Charge to fund the new air security expenditures. Bill C-49 received first reading in the House of Commons on February 5, 2002.

The Bill proposes that the charge will apply to air travel occurring after March 31, 2002, for which payment is made after that date, in the case of tickets purchased in Canada, and to air travel occurring after May 31, 2002, for which payment is made after March 31, 2002, in the case of tickets purchased outside Canada. Air carriers or their agents will collect it at the time the airline tickets are purchased.





Generally, for travel within the continental zone (i.e., Canada, the United States excluding Hawaii, and the Islands of St-Pierre and Miquelon), and where GST/HST applies at the rate of 7% or 15% to the air passenger transportation service, the charge will be \$11.22 for each chargeable emplanement in Canada to a maximum of \$22.43. Where the air passenger transportation service is zero-rated or where GST/HST does not apply, the charge will be \$12.00 for each chargeable emplanement in Canada to a maximum of \$24.00.

For travel to a destination outside the continental zone, the charge will be \$24.00 where there is a chargeable emplanement in Canada.

For GST/HST purposes, the amount of the security charge is included in the consideration for the supply of the air transportation service. As such, where the supply of the service, other than a zero-rated supply, is made in a participating province, the total consideration for the supply, which includes the security charge, is subject to HST at 15%. Where the supply is made in a non-participating province, the total consideration for the supply, including the security charge is subject to GST at 7% providing the supply is not zero-rated.

For general enquiries regarding the ATSC in Canada and USA call 1-877-432-5472 or for other countries call 1-902-432-5472.

## **Reminder – Time Limits for Indians and Indian Bands making GST/HST General Rebate Claims**

GST/HST does not apply to on-reserve purchases of goods by Indians and Indian bands, or to off-reserve purchases by Indians and Indian bands of goods delivered to the reserve by vendors or their agents. In addition, the GST/HST does not apply to services where the services are performed totally on reserve.

However, there are some instances where GST/HST may have been paid, either correctly or incorrectly, and the Indian person or Indian band is entitled to have the GST/HST refunded under the general rebate program.

Generally, Indian bands and Indians can apply for a GST/HST rebate if the tax was paid for a product and it was acquired on a reserve or delivered to a reserve by the vendor. For band-management activities, GST/HST paid on off-reserve purchases of services, transportation, accommodation, meals, and entertainment is eligible for a rebate.

**GST/HST rebate claims made by Indians and Indian bands must be filed with the CCRA within two years of when the tax was paid.**

For more details on the CCRA's policy, including exceptions and special circumstances, please see GST/HST Technical Information Bulletin B-039R, *GST Administrative Policy, Application of GST to Indians. to Indians*, at: <http://www.ccr-aadrc.gc.ca/E/pub/gm/b-039rem/b-039r-e.html>

The guide RC4033, *General Application for GSTR/HST Rebates*, is available at this address: <http://www.ccr-aadrc.gc.ca/E/pub/gp/rc4033eq/README.html>





## **Shuswap First Nation Tax (Kinbasket First Nation Taxation)**

Following recent legislation, the Council of the Shuswap First Nation has passed a by-law that imposes a 7% tax on the supply of tobacco products, fuel, and alcoholic beverages sold on the Shuswap First Nation reserve in British Columbia. The Council of the Shuswap First Nation has approved this tax as the Kinbasket First Nation Taxation. The effective date of the tax is February 1, 2002. The CCRA is administering this tax on behalf of the Shuswap First Nation.

The Shuswap First Nation Tax (FNT) is similar to Tzeachten FNT, Westbank FNT, Kamloops FNT, Sliammon FNT, Chemainus FNT, Buffalo Point FNT and Adams Lake FNT that are currently in place.

The GST/HST guide RC4072 Rev. 01, *First Nations Tax (FNT)* <http://www.cca-adrc.gc.ca/E/pub/gl/rc4072eq/README.html> provides more details about these First Nations taxes, including the definition of the products subject to FNT.

### ***Excise Act, 2001***

Bill C-47, the legislation to implement the *Excise Act, 2001*, was introduced in the House of Commons on December 6, 2001.

The *Excise Act, 2001* ( <http://www.fin.gc.ca/news01/01-113e.html> ) provides a modern framework for the taxation of spirits, wine and tobacco. The *Excise Act, 2001* (<http://www.fin.gc.ca/news01/01-113e.html> ) modernizes the legislative provisions governing the taxation of spirits, wine and tobacco products and introduces an updated administrative and enforcement framework that reflects current industry practices.

This Bill also implements changes to ships' stores provisions which were announced on September 27, 2001 and implements the tobacco tax increases announced on November 1, 2001. Beer will continue to be subject to the provisions of the existing *Excise Act*.

## **Application of GST/HST to Yukon First Nations and Yukon Indians**

CCRA administrative policy has changed as a result of recent jurisprudence involving the Carcross Tagish Yukon First Nation. The application of the GST/HST to Yukon First Nations and Indians who are members of such First Nations now depends on whether or not a final land claim agreement is in place.

### **No Tax Relief**

Where a Yukon First Nation has signed a final agreement, its Indian members are not able to acquire goods or services relieved of tax unless they reside outside the Yukon.

The following Yukon First Nations (band number) have a final agreement in place:

- Champagne and Aishihik First Nations (507)
- First Nation of Nacho Nyak Dun (495)
- Little Salmon/Carmacks First Nation (492)
- Selkirk First Nation (498)
- Teslin Tlingit Council (499)





- Tr'ondëk Hwëch'in First Nation (494)
- Vuntut Gwitchin First Nation (496)
- Ta'an Kwach'an First Nation (508) \*Proposed effective date of final agreement is April 1, 2002

Suppliers who are registrants must collect and remit GST/HST on all taxable goods and services acquired by Yukon First Nations with a final agreement in place or Yukon resident Indians who are members of such Yukon First Nations.

### **Tax Relief Applies**

Tax relief is still available to a Yukon band that has no final agreement in place, its band empowered entities and Indians who are members of that band, provided the conditions set out in TIB-039R are met. Tax relief also applies to Indian Bands from outside the Yukon and their Indian members who acquire goods and services in the Yukon as set out in TIB-039R.

Generally, the CCRA accepts as evidence a "Certificate of Status Indian" card issued by the Department of Indian Affairs and Northern Development. The Indian band name or alternatively the first three digits of the registry number appearing on the card may be used to determine the Indian band to which the individual belongs.

Where tax relief is available, the vendor should remember to keep adequate evidence to show where the purchaser was resident, as well as the other documentation required under the TIB 039R, *Administrative Policy Application of GST to Indians*. (link: <http://www.cca-adrc.gc.ca/E/pub/gm/b-039rem/b-039r-e.html> )

Please refer to this CCRA Internet site for more detailed information: <http://www.cca-adrc.gc.ca/E/pub/gi/notice143--eq/README.html>





## What's new in publications

### GST/HST Memoranda Series

Memorandum 7.5      *Electronic Filing and Remitting*

### GST/HST Guides

RC4031      *Tax Refund for Visitors to Canada*  
RC4033      *General Application for GST/HST Rebates*  
RC4100      *Harmonized Sales Tax and the Provincial Motor Vehicle Tax*

### GST/HST Forms

GST22      *Real Property - Election to Make Certain Sales Taxable*  
GST176      *Application for Visitor Tax Refund*  
GST189      *General Application for Rebate of GST/HST*  
GST498      *GST/HST Rebate Application for Foreign Representatives, Diplomatic Missions,  
Consular Posts, International Organizations, or Visiting Forces Units*  
GST528      *Authorization to Use an Export Distribution Centre Certificate*

Current publications can be found on the CCRA Internet site at the following address: [www.ccradrc.gc.ca/tax/business/gsthst/menu-e.html](http://www.ccradrc.gc.ca/tax/business/gsthst/menu-e.html) for guides, pamphlets, forms, and the *GST/HST News*, or at [www.ccradrc.gc.ca/menu/EmenuKZW.html](http://www.ccradrc.gc.ca/menu/EmenuKZW.html) for GST/HST Memoranda, Technical Information Bulletins, Policy Papers and Notices.





## Prescribed rates of interest

GST/HST interest and penalty compound daily. Income tax interest also compounds daily. For excise duty, penalty compounds monthly, and interest compounds daily. For excise tax, penalties and interest are calculated monthly for each month or part-month in which a balance remains. The total amount payable is based on the total tax, penalties, and interest outstanding. Prescribed interest rates are adjusted every calendar quarter.

These rates of interest are also available on the CCRA Internet site at: <http://www.ccra-adrc.gc.ca/E/pub/gi/prior--eq/README.html>

	GST/HST, Excise Tax (annualized rates)		Excise Duty (annual rates)		Income Tax (annual rates)	
	Interest % *	Penalty %	Interest %	Penalty %	Refund Interest %	Arrears and Instalment Interest %
2002						
April 1 - June 30	2.4066	6.0	4.0	6.0	4.0	6.0
January 1 - March 31	2.4333	6.0	5.0	6.0	5.0	7.0

\* To calculate interest for GST/HST purposes only, divide the adjusted annual interest rate by 365 and apply it daily.

## GST/HST Enquiries

To make enquiries regarding your GST/HST account call Business Enquiries at 1-800-959-5525

To make enquiries regarding the status of specific GST/HST domestic rebate claims call 1-800-565-9353

To make enquiries regarding the status of visitor rebate claims call 1-800-668-4748

To obtain copies of forms and publications call 1-800-959-2221





Canada Customs  
and Revenue AgencyAgence des douanes  
et du revenu du Canada

Canada

Government  
Publications

Français

Contact us

Help

Search

Canada Site

What's new

Media room

Electronic  
mailing listsElectronic  
servicesForms and  
publications

Home

Site map

Forms and publications &gt;

Search

Go

# GST/HST News

Edition Number 45

Summer 2002

## Standard Disclaimer

The *GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), as well as excise taxes and duties. This publication is provided for information purposes only and does not replace the law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Canada Customs and Revenue Agency (CCRA) tax services office or call Business Enquiries at 1-800-959-5525. Comments or suggestions about the newsletter should be sent to the Editor, *GST/HST News*, Policy and Legislation Branch, CCRA, Ottawa, Ontario K1A 0L5.

ISSN 1183-689X

## Table of Contents

- [Quick Method of Accounting](#)
- [Air Travellers Security Charge](#)
- [Government of Canada Appeals Ruling in Benoit v The Queen](#)
- [CCRA Focuses on Small Business for R&D Tax Credits](#)
- [Update on Yukon First Nations and Yukon Indians](#)
- [What's new in publications](#)
- [Prescribed rates of interest](#)
- [GST/HST Enquiries](#)

---

## Quick Method of Accounting

If you are a small business, you may be able to use the Quick Method of accounting for the GST/HST. This article will outline what the Quick Method is and who can use it.

The Quick Method is a simplified accounting option available to help small businesses calculate the GST/HST they have to remit without having to record GST/HST separately on their eligible sales (i.e., sales made in the usual course of business), or claim input tax credits on operating expenses and inventory purchases. However, when using the Quick Method, you still have to keep records of your purchases and sales. The Quick Method can reduce paperwork and bookkeeping costs, make it easier to complete the GST/HST return, and is available to annual, quarterly and monthly filers, provided the conditions described below are met.

Certain businesses cannot use this method, such as accountants, bookkeepers, notaries, tax consultants, lawyers, and financial consultants. A



complete list of ineligible registrants can be found in the CCRA guide RC4058, **Quick Method of Accounting for GST/HST**.

You may use this method if your annual worldwide taxable sales (including zero-rated sales) and those of your associates are no more than \$200,000 (including GST/HST) in any four consecutive quarters in the five quarters immediately preceding the effective date of the election. The \$200,000 limit does not include supplies of financial services, sales of real property, sales of capital assets, sales of eligible capital property and goodwill.

With the Quick Method, you charge and collect the 7% GST or 15% HST on taxable goods and services you sell or provide to your customers in the usual way. But, to calculate the net GST/HST to remit, you multiply your taxable sales including GST and your taxable sales including HST made during the reporting period by the Quick Method rate which applies to those sales.

There are several remittance rates. See the CCRA guide RC4058, **Quick Method of Accounting for GST/HST**, to help you determine which rate or rates apply to your sales.

The remittance rates depend on whether you are in a service business or a retail or manufacturing business, on the province in which your permanent establishment is located, and where your services are provided. The most common remittance rates are:

- 5% (or 10% for businesses in participating provinces) for service businesses such as delivery services, dry cleaners, auto repair shops, caterers, fast food outlets, travel agents, taxi drivers, photographers, and painting contractors; and
- 2.5% (or 5% for businesses in participating provinces) for retailers and wholesalers, including grocery and convenience stores, that buy goods to resell in the same form as they were bought or to use in goods they produce or manufacture to resell. To qualify for these rates, your purchases (other than basic groceries) must equal at least 40% of your total annual taxable sales (including GST/HST). Certain sales, such as sales of real property, are excluded from the calculation. Businesses such as antique dealers, bookstores, boutiques, novelty stores, and service stations could qualify for these rates.

The Quick Method remittance rates apply only to sales you make in the usual course of business, on which you must collect 7% GST or 15% HST.

For supplies you make outside the usual course of business, such as real estate sales or sales of used capital goods eligible for a capital cost allowance deduction for income tax purposes, you have to include the GST/HST charged in your net tax calculation, rather than using the Quick Method remittance rate. Do not include proceeds from selling your business assets in the sales figure you use for your Quick Method calculation.

#### **Credit of 1% on the first \$30,000 of your eligible sales**

You are also entitled to a 1% credit on the first \$30,000 (including GST/HST) of your eligible sales on which you must collect 7% GST or 15% HST. To qualify for this 1% credit, your Quick Method election must be in effect at the beginning of your fiscal year, or if you are a new GST/HST registrant, on the day you became a registrant.

#### **Input tax credits (ITCs)**

When you use the Quick Method, you do not need to separately keep track of

the GST/HST you pay or owe on your operating expenses (such as utilities, rent, and telephone expenses), meal and entertainment expenses, as well as inventory purchases, but you still have to keep records of them. The Quick Method remittance rates take into account the GST/HST you pay on these purchases and expenses. As such, you cannot claim ITCs for these expenses and purchases.

However, you should claim ITCs in the usual manner for the GST/HST payable on certain purchases, such as purchases of land, and purchases for which you can claim a capital cost allowance deduction for income tax purposes, such as computers, vehicles, other large equipment and machinery.

### How do I start using the Quick Method?

To use the Quick Method, refer to the CCRA guide RC4058, ***Quick Method of Accounting for GST/HST***. The booklet includes Form GST74, *Election and Revocation of an Election to Use the Quick Method of Accounting*. You can complete Form GST74 and send it to us, or call us at 1-800-959-5525 to elect to start using the Quick Method.

If you are an annual filer, you have up to three months from the beginning of your fiscal year to file the election for it to be effective that year. If you are a monthly or quarterly filer, you have until the due date of the return for the reporting period for which you want to start using the Quick Method.

Different simplified accounting methods are available for charities, qualifying non-profit organizations, and other public service bodies. For information on these simplified accounting methods, refer to the following guides:

- RC4082, ***GST/HST Information for Charities***;
- RC4081, ***GST/HST Information for Non-Profit Organizations***; and
- RC4049, ***GST/HST Information for Municipalities***.

## Air Travellers Security Charge

Bill C-49, the legislation to implement the Air Travellers Security Charge (ATSC), received Royal Assent on March 27, 2002.

Effective April 1, 2002, the CCRA is responsible for administering the ATSC. It will be collected by air carriers or their agents at the time of ticket purchase.

Generally, for travel within the continental zone (i.e., Canada, the United States excluding Hawaii, and the islands of St. Pierre and Miquelon), and where GST/HST applies at the rate of 7% or 15% to the air passenger transportation service, the charge will be \$11.22 for each chargeable emplanement in Canada to a maximum of \$22.43. Where the air passenger transportation service is zero-rated or where GST/HST does not apply, the charge will be \$12.00 for each chargeable emplanement in Canada to a maximum of \$24.00.

For travel to a destination outside the continental zone, the charge will be \$24.00 where there are one or more chargeable emplanements in Canada.

For GST/HST purposes, the amount of the ATSC is included in the consideration for the supply of the air passenger transportation service. As such, where the supply of the service, other than a zero-rated service, is made in a participating province, the total consideration for the supply, which includes



the ATSC, is subject to the HST at 15%. Where the supply is made in a non-participating province, the total consideration for the supply, including the ATSC, is subject to GST at 7% provided the supply is not zero-rated.

For more information on the ATSC, please refer to the [CCRA Internet site devoted to the ATSC](#).

## **Government of Canada Appeals Ruling in *Benoît v The Queen***

The Government of Canada has filed a notice of appeal with the Federal Court of Appeal regarding the Federal Court - Trial Division's decision in the case of *Benoît v. The Queen*.

On March 7, 2002, Mr. Justice Douglas Campbell of the Federal Court - Trial Division ruled in favour of the plaintiffs, in finding a tax exemption with respect to the beneficiaries of Indian Treaty 8 (which includes aboriginal people originally from northern British Columbia, Alberta, Saskatchewan and southern Northwest Territories).

On May 3, 2002, the CCRA announced that the Federal Court of Appeal granted a stay of the decision of the Federal Court - Trial Division. The stay will permit the CCRA to continue to apply its programs, policies, and procedures in the usual manner. This minimizes uncertainty for individuals, employers, and merchants while the case is under appeal. Please refer to the [CCRA news release](#).

The "business as usual" approach for Treaty 8 beneficiaries with respect to the administration of tax laws means that income tax deductions at source and GST/HST on importations and off-reserve purchases should continue to be paid as before. The CCRA will continue to administer the existing tax exemption provided under the *Indian Act* for status Indian income situated on reserves, and for goods or services purchased on or delivered to reserves by the vendor.

While the case is before the courts, the CCRA encourages taxpayers who believe they are entitled to the benefits of Treaty 8 to protect their rights by keeping records of taxes paid, including receipts for GST/HST paid on purchases. These records will be necessary to make a claim to recover the tax in the future if the Treaty 8 tax exemption is upheld in the courts.

Taxpayers who wish to claim a Treaty 8 exemption for income tax purposes may file a Notice of Objection. For more information, taxpayers can refer to the CCRA guide RC 4213, [Your Rights](#).

## **CCRA Focuses on Small Business for R&D Tax Credits**

Small and medium sized businesses may not be taking full advantage of the tax credits offered through the federal government's Scientific Research & Experimental Development (SR&ED) Program. The program has been designed by the federal government and administered by CCRA as a major incentive to encourage research and development (R&D) in Canada.

If your company qualifies, you could get back up to 35% of your SR&ED costs, possibly helping to finance further projects and improve your overall financial position.

You do not have to have a high-tech R&D facility to qualify. If you are a Canadian business that develops new or improved materials, products, or processes in Canada you may be eligible for refunds.

Your claimed work must also meet certain requirements concerning the type of work, involvement of technological advancement, supporting documentation, and expenditures.

The CCRA has set up the following services designed to meet the needs of small and medium sized businesses:

- The **First Time Claimant Service** puts your business in touch with a representative who will answer your questions about the SR&ED Program.
- The **Account Executive Service** links you up with a designated contact person from the SR&ED Program. This makes for effective, two-way communication.
- The **Preclaim Project Review Service** offers you a preliminary opinion on the eligibility of your projects.
- **Information seminars** are provided on a regular basis in most regions to provide introductory information to first time users.

For more information on the SR&ED Program, visit your tax services office or the [CCRA Internet site](#).

## Update on Yukon First Nations and Yukon Indians

The Ta'an Kwach'an First Nation Final Agreement has been confirmed by Order in Council. Effective April 1, 2002, the Ta'an Kwach'an First Nation and its Indian members will no longer be able to acquire goods or services relieved of tax unless the Indian members reside outside the Yukon and providing they meet the conditions set out in Technical Information Bulletin, (TIB) B-039R, **GST Administrative Policy - Application of GST to Indians**.

## What's new in publications

### GST/HST Technical Information Bulletins

TIB- **Returnable**

### GST/HST Guides

RC4028 **GST/HST New Housing Rebate**

RC4031 **Tax Refund for Visitors to Canada**

RC4100 **Harmonized Sales Tax and the Provincial Motor Vehicle**

### GST/HST Forms

Form GST190 **GST/HST New Housing Rebate**



Form GST190 **WS Construction Summary Worksheet**

Form GST176 **Application for Visitor Tax Refund**

Current publications can be found on the CCRA Internet site at the following address: [www.ccra-adrc.gc.ca/tax/business/gsthst/menu-e.html](http://www.ccra-adrc.gc.ca/tax/business/gsthst/menu-e.html) for guides, pamphlets, forms, and the *GST/HST News*, or at [www.ccra-adrc.gc.ca/menu/EmenuKZW.html](http://www.ccra-adrc.gc.ca/menu/EmenuKZW.html) for GST/HST Memoranda, Technical Information Bulletins, Policy Papers and Notices.

## Prescribed rates of interest

GST/HST interest and penalty compound daily. Income tax interest also compounds daily. For excise duty, penalty compounds monthly, and interest compounds daily. For excise tax, penalties and interest are calculated monthly for each month or part-month in which a balance remains. The total amount payable is based on the total tax, penalties, and interest outstanding. Prescribed interest rates are adjusted every calendar quarter.

These rates of interest are also available on the **CCRA Internet site**.

	GST/HST, Excise Tax (annualized rates)		Excise Duty (annual rates)		Income Tax (annual rates)	
	Interest % *	Penalty %	Interest %	Penalty %	Refund Interest %	Arrears and Instalment Interest %
2002						
July 1 - September 30	2.3804	6.0	5.0	6.0	5.0	7.0
April 1 - June 30	2.4066	6.0	4.0	6.0	4.0	6.0
January 1 - March 31	2.4333	6.0	5.0	6.0	5.0	7.0

## GST/HST Enquiries

To make enquiries regarding your GST/HST account call Business Enquiries at  
1-800-959-5525

To make enquiries regarding the status of specific GST/HST domestic rebate claims call  
1-800-565-9353

To make enquiries regarding the status of visitor rebate claims call

1-800-668-4748

To obtain copies of forms and publications call  
1-800-959-2221



*More Ways to Serve You!*  
*Pour vous servir encore mieux!*

Updated: 2002-06-03



Important notices





Canada Customs  
and Revenue AgencyAgence des douanes  
et du revenu du Canada

Canada

Government  
Publications

Français

Contact us

Help

Search

Canada Site

What's new

Media room

Electronic

Electronic

Forms and

Home

Site map

mailing lists

services

publications

Forms and publications &gt;

This document is also available for download in other formats.

Search

Go

## GST/HST News

Edition Number 46

Fall 2002

### Standard Disclaimer

The *GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), as well as excise taxes and duties. This publication is provided for information purposes only and does not replace the law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Canada Customs and Revenue Agency (CCRA) tax services office or call Business Enquiries at 1-800-959-5525. Comments or suggestions about the newsletter should be sent to the Editor, *GST/HST News*, Policy and Legislation Branch, CCRA, Ottawa, Ontario K1A 0L5.

ISSN 1183-689X

### Table of Contents

- [Excise Act, 2001](#)
- [Agreement with the Retail Council of Canada](#)
- [GST/HST and Dietary Supplements](#)
- [GST/HST and Electric Scooters](#)
- [GST/HST and Electronic Commerce](#)
- [Programs for Exporters](#)
- [Reducing Red Tape with Our Partners](#)
- [What's new in publications](#)
- [Prescribed rates of interest](#)
- [GST/HST Enquiries](#)

---

## Excise Act, 2001

Bill C-47 received Royal Assent on June 13, 2002 and is now law. Bill C-47 enacts the *Excise Act, 2001*.

The ***Excise Act, 2001*** provides a modern framework for the taxation of spirits, wine and tobacco, modernizes the legislative provisions governing these products and introduces an updated administrative and enforcement framework that reflects current industry practices.

This legislation also implements changes to ships' stores provisions and implements tobacco tax increases. Beer will continue to be subject to the provisions of the existing *Excise Act*.

The *Excise Act, 2001* is expected to be implemented in July 2003.







## Agreement with the Retail Council of Canada

The CCRA has reached an agreement with the Retail Council of Canada (RCC) to publish a small flyer the size of a bank note to reinforce the fact that everyone purchasing goods and services in Canada, except Status Indians, has to pay the GST/HST.

The RCC will distribute them to their members to place in cash registers across Canada. When a client argues that they do not want to pay GST/HST, the cashier does not have to argue, but can hand out one of these flyers and suggest they call the 1-800 number on the flyer for more information.

Extra [copies of the flyer](#) are available on the CCRA Internet site.

## GST/HST and Dietary Supplements



The CCRA has issued a policy statement which discusses whether products commonly described as "dietary supplements" are taxable at 7% GST (or 15% HST as applicable) or at 0% (zero-rated). The policy statement considers whether such products are zero-rated as food or beverages for human consumption, or as an ingredient to be mixed with or used in the preparation of such food or beverages. If not considered to be a food, beverage or ingredient, the product is not zero-rated.

### Food beverage or ingredient

A product is considered a food, beverage or ingredient if an average consumer would recognize and purchase the product in the ordinary course of buying basic groceries, or if it would be consumed by an average consumer when food or beverages are typically consumed, such as at mealtimes or for a snack.

In order to be regarded as an ingredient to a food or beverage, an item must be an integral part of a final product which would be considered to be a food or beverage by the average consumer.

In general, food and beverages or ingredients are consumed to sustain or maintain life, to allay hunger or thirst, or for enjoyment, rather than for therapeutic or preventative effects (e.g., to correct actual or perceived health problems) or to achieve specific beneficial effects related to performance or physique.

If a product is not considered to be a food, beverage, or ingredient, it is not zero-rated.

### Dietary supplements

A product that is marketed for its beneficial effects, and that is added to a food or beverage simply as a means of consuming it, would not be considered by an average consumer as an ingredient simply because it is ingested in this manner.

Products commonly described as "dietary supplements" are generally made from synthetic or natural ingredients that are ingestible and that may be nutritive. These products are available in a variety of formats: solid including powders or capsules/pills, gels, liquids including oil, and tinctures. They may also contain vitamins, minerals, fibre, protein, amino acids, fatty acids, enzymes, or compounds derived from plant or animal products.





## Criteria

Meal replacement and nutritional supplement products that meet the criteria set out in the *Food and Drugs Act* are not covered by this policy and such products would generally be zero-rated.

The following criteria related to labelling, packaging and marketing help to determine whether or not a product is considered to be a food, beverage or ingredient:

- Identification as a "dietary supplement" or "supplement";
- Claims or product names or pictorial representations advising that the product:
  - a) has a therapeutic or preventive effect,
  - b) enhances mental or physical performance, or
  - c) enhances physique or weight loss;
- Emphasis on particular nutrient(s) not commonly regarded by a consumer as an ingredient (e.g. whey protein isolate) or statements as to the purity or superior source of the nutrient. The nutrient is emphasized if the name of the nutrient is prominently displayed on the label. However, this does not include general nutrition information or information that a product is fortified with particular vitamins and minerals, or that it is a source of protein;
- Restrictions related to specific frequencies or quantities of dosage and certain warnings as to who should not consume the product or should only consume it in restricted amounts, or that the product is to be "taken" or "taken as directed by a physician";
- A Drug Identification Number (DIN). Although not determinative in itself, the presence of a DIN may be an indication that the product is promoted and consumed for its beneficial effects. However, the absence of a DIN does not necessarily mean that a product is considered to be a "food" or a "beverage";
- A listing of active or medicinal ingredients;
- Comparison to other products that are not considered to be a food, beverage or ingredients; and
- Focus on the benefits of the product, rather than the format. For example, a manufacturer may offer a product in both pill and liquid formats. Although a person may prefer a particular format for ease of consumption, the primary focus continues to be on the expected health benefits of ingesting the product.

For more detailed information on this subject, please refer to the **Policy Statement P-240, Application of GST/HST to products Commonly Described as 'Dietary Supplements'**, on the CCRA Internet site.

## GST/HST and Electric Scooters



Three- and four-wheeled electrical mobility vehicles or scooters are zero-rated (taxable at zero per cent) if they are specially designed for use by an individual with a disability.





In order to be zero-rated, these vehicles must have been originally designed to be used by individuals with a disability and they must continue to exhibit design features, qualities and capabilities that are specifically intended to address the needs of these individuals.

Parts, accessories or attachments specially designed for a zero-rated electrical mobility vehicle will also be zero-rated.

Please contact your local tax services office if you have any questions concerning your supplies or acquisitions of these vehicles.

## GST/HST and Electronic Commerce

Technical Information Bulletin (TIB) B-090, *GST/HST and Electronic Commerce* has been published and is available on the CCRA Internet site. It discusses in detail the CCRA's interpretation of key provisions of the *Excise Tax Act* which are relevant to electronic commerce (i.e., supplies made over the Internet), and outlines how the CCRA's administrative policies pertain to transactions made by electronic means.

Electronic commerce has fundamentally changed the way business is conducted and raises several interpretative issues concerning the administration of the GST/HST. The following issues are dealt with in this TIB B-090:

- characterization of supplies i.e., determining whether a supply is one of property or service;
- place of supply;
- supplies to non-residents; and
- non-resident registration.

Please see **TIB B-090**.

## Programs for Exporters

CCRA's export oriented trade incentives programs offer companies doing business in Canada many of the same duty and tax incentives as those found in free trade zones around the world.

The **Duty Deferral Program**, introduced in 1996, aims to improve the competitiveness of Canadian businesses by offering relief from the payment of most duties and taxes on imported goods that are ultimately exported, whether or not further manufactured in Canada. Customs duties are relieved in all cases regardless of activity and the GST/HST is relieved in certain circumstances but not where goods are further manufactured.

There are three main components to the Duty Deferral Program:

1. upfront duties relief for those goods imported into Canada for future exporting,
2. deferred duties and taxes in those instances where goods are stored in Customs bonded warehouses before exporting, and





### 3. refund of duties on imported goods that are exported.

To complement the Duty Deferral Program, clients may wish to apply for authorization to use GST/HST export oriented trade incentive relief programs such as the Exporters of Processing Services (EOPS) Program or the new Export Distribution Centre Program (EDCP).

The **Exporter of Processing Services (EOPS)** program allows the tax-free importation of goods by a Canadian processor for the purpose of processing the goods in Canada and subsequent export if, throughout the time the goods remain in Canada, they are not the property of the processor or a non-resident person to whom the processor is closely related.

The **Export Distribution Centre Program (EDCP)**, introduced in January 2001, assists clients in creating export distribution centre operations. When authorized to use the EDCP, export-oriented, non-manufacturing businesses may use a certificate to acquire within Canada, or import more inventory and parts, or import a customer's goods for processing, without payment of the GST/HST. Only GST/HST registrants whose export revenue is reasonably expected to account for at least 90% of their total revenue generated from activities in Canada, and that add only limited value to goods, will be eligible for the EDCP. Clients who want to access the EDCP may apply at their tax services office.

By combining the elements of the Duty Deferral Program and GST/HST export related relief programs, as well as incentives from other levels of government and the private sector, companies may receive many of the benefits of geographically based free trade zones.

Unlike free trade zones in other countries, the CCRA programs do not restrict business operations to specific zones. Business and local communities, not the federal government, determine where their export operations will be located.

**For more information on these programs** please see the CCRA Internet site or contact your tax services office.

## Reducing Red Tape with Our Partners



Service New Brunswick (SNB) is working with the CCRA to make business registrations simpler and easier. Sole proprietors resident in New Brunswick can now register for a New Brunswick Business Name and the four major CCRA business programs by visiting **Business Registration On-line**.

New Brunswick has also adopted the Business Number (BN) as an account identifier. Therefore, sole proprietors resident in New Brunswick registering their business name, and provincially incorporated New Brunswick businesses, can get a BN via the **SNB site** or via the usual paper-based application. Registrations obtained through New Brunswick staff will also be assigned a BN from the CCRA.

These service enhancements build on the success of other BN partnerships. During a single session at Business Registration On-line, businesses can now register for selected CCRA, New Brunswick, Nova Scotia and Ontario business programs.

## What's new in publications





**GST/HST Memoranda Series**

**13.4 - Rebates for Printed Books, Audio Recordings of Printed Books, and Printed Versions of Religious Scriptures**

**GST/HST Technical Information Bulletins**

**B-090 - GST/HST and Electronic Commerce**

**GST/HST Guides**

**RC4125 - Basic GST/HST Information for Taxi and Limousine Operators**

**Prescribed rates of interest**

GST/HST interest and penalty compound daily. Income tax interest also compounds daily. For excise duty, penalty compounds monthly, and interest compounds daily. For excise tax, penalties and interest are calculated monthly for each month or part-month in which a balance remains. The total amount payable is based on the total tax, penalties, and interest outstanding. Prescribed interest rates are adjusted every calendar quarter.

These **rates of interest** are also available on the CCRA Internet site.

	GST/HST, Excise Tax (annualized rates)		Excise Duty (annual rates)		Income Tax (annual rates)	
	Interest % <small>Note</small>	Penalty %	Interest %	Penalty %	Refund Interest %	Arrears and Instalment Interest %
<b>2002</b>						
October 1 to December 31	2.3804	6.0	5.0	6.0	5.0	7.0
July 1 to September 30	2.3804	6.0	5.0	6.0	5.0	7.0
April 1 to June 30	2.4066	6.0	4.0	6.0	4.0	6.0
January 1 to March 31	2.4333	6.0	5.0	6.0	5.0	7.0

**Note:** To calculate interest for GST/HST purposes only, divide the adjusted annual interest rate by 365 and apply it daily.

**GST/HST Enquiries**

To make enquiries regarding your GST/HST account call Business Enquiries at 1-800-959-5525.

To make enquiries regarding the status of specific GST/HST domestic rebate claims call 1-800-565-9353.

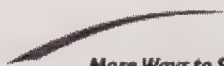
To make enquiries regarding the status of visitor rebate claims call





1-800-668-4748.

To obtain copies of forms and publications call 1-800-959-2221.



*More Ways to Serve You!*

*Pour vous servir encore mieux!*

---

Updated: 2002-09-23



**Important notices**





# GST/HST News

No. 47

Winter 2002 – 2003

## Contents

Agreement with the Retail Council of Canada.....	1
Excise Act, 2001 – licensing and registration packages .....	1
Sale of passenger and motor vehicles – ITC entitlements .....	2
Charities – reminder for annual filers .....	2
Chapowace court decision .....	2
Fall 2002 – Edition No. 46.....	3
GST/HST and dietary supplements .....	3
Excise Act, 2001 .....	4
GST/HST and electronic commerce .....	4
Other articles published in the Fall 2002 newsletter .....	6
Summer 2002 – Edition No. 45.....	5
CCRA focuses on small business for R&D tax credits .....	5
Other articles published in the Summer 2002 newsletter .....	5
Spring 2002 – Edition No. 44 .....	6
Press release – student transport services .....	6
Other articles published in the Spring 2002 newsletter.....	6
What's new in publications .....	7
Prescribed rates of interest .....	8
GST/HST News electronic mailing list.....	8
GST/HST enquiries.....	8

## Agreement with the Retail Council of Canada

The CCRA has reached an agreement with the Retail Council of Canada (RCC) to publish a small flyer the size of a bank note to reinforce the fact that everyone purchasing goods and services in Canada, except Status Indians, has to pay the GST/HST.

The RCC has distributed the flyers to its members to place in cash registers across Canada (except for the province of Quebec). When clients argue that they do not want to pay GST/HST, the cashier can hand out one of these flyers and suggest they call 1-800-247-3577, indicated on the flyer, for more information.

Persons calling that number will receive a recorded message discussing the exceptions for Status Indians and individuals using credit cards issued to certain provincial governments. The message also explains how diplomats and visitors may receive a rebate of the tax they pay.

Copies of the flyer are available on the CCRA Web site in the Fall 2002 edition of the *GST/HST News*. The flyer can be printed from a link in the Retail Council of Canada article.

## Excise Act, 2001 – licensing and registration packages

Licensing and registration packages for the new *Excise Act, 2001* will be mailed out four to six months before the implementation date which is scheduled for July 1, 2003. These packages will be sent to persons licensed under the existing *Excise Act* (except for brewers), as well as wine producers and ferment-on-premises operations. If you require a package and do not receive it in the mail, please contact your regional excise duty office to request one. These offices are listed on the CCRA Web site under the headings: Tax, Technical Publications, Excise and GST/HST.

More Ways to Serve You!

Pour vous servir encore mieux !



Canada Customs  
and Revenue Agency

Agence des douanes  
et du revenu du Canada

Canada

## Sale of passenger and motor vehicles – ITC entitlements

This article is of interest to businesses which accept used vehicles in trade for vehicles they sell or lease, and their customers. Special rules apply to the transaction, depending on whether the customer (from whom the business is accepting the trade-in) is required to charge tax.

### When the customer is required to charge tax

These customers fall into two main categories:

1) Individuals or partnerships who are registered for GST/HST purposes must collect the tax on the value of:

- a) the passenger vehicle traded in, where the vehicle has been used 90% or more in commercial activities; or
- b) the motor vehicle traded in, where the vehicle has been used greater than 50% in commercial activities.

2) Corporations that are registered for GST/HST purposes must collect tax on the value of:

- a) the passenger vehicle traded in, where the vehicle has been used greater than 50% in commercial activities; or
- b) the motor vehicle traded in, where the vehicle has been used greater than 50% in commercial activities.

In both these cases, two separate transactions occur:

- i) the vehicle dealer purchases the trade-in from its customer; and
- ii) makes a sale or lease to the same customer.

As a result, the dealer pays GST/HST on the value of the trade-in, and has to collect GST/HST on the full price charged for the vehicle it sells or leases.

Both the dealer and the customer may claim an input tax credit for the GST/HST they both pay or owe.

### When the customer is not required to charge tax

In this case, the dealer charges GST/HST on the net amount of the sale or lease, that is, the price of the goods it sells or leases minus the amount it allows for the trade-in.

For example, an individual goes to a registered car dealer to trade in his car for a new one. The selling price of the new car is \$25,000, and the dealer allows \$10,000 for the individual's used car. The dealer will charge GST/HST on \$15,000, which is the difference between the selling price and the trade-in value of the used car.

For more information regarding trade-ins please refer to GST/HST Technical Information Bulletin B-084, *Treatment of Used Goods*.

For more information on passenger or motor vehicles, please call Business Enquiries at 1-800-959-5525.

## Charities – reminder for annual filers

Since January 1, 1997, the CCRA has assigned all GST/HST registered charities an annual reporting period, regardless of their revenues. This means that most GST/HST registered charities file annual returns.

A charity may elect to have monthly, quarterly, or annual reporting periods, regardless of its level of taxable supplies. Charities wishing to change the frequency of their reporting periods should contact their local tax services office or complete and send Form GST20, *Election for GST/HST Reporting Period*, to their tax services office.

Charities reporting on an annual basis are required to remit quarterly instalments unless their net tax is less than \$1,500 in the current or previous year. Even if the net tax owing is offset by rebates at the end of the year, failure to remit instalments will incur penalty and interest.

For more information regarding charities please refer to the GST/HST guide RC4082, *GST/HST Information for Charities*.

## Ochapowace court decision

On September 12, 2002, the Provincial Court of Saskatchewan decided against the Ochapowace Band for failing to collect the GST and failing to file GST returns for the Ochapowace Ski Resort which is operated on the Ochapowace reserve.

The Court decision upholds the CCRA's administrative policy for Indians based on the *Excise Tax Act*. The Court found that the requirement to collect and remit tax is not a breach of an aboriginal or treaty right. There is no provision of the *Indian Act* which prevents Indian bands from acting as agents for the Crown to collect the GST/HST.

The Judge noted this was not a precedent-setting case as there is existing case law that supports the decision. Indian businesses are subject to the provisions of the *Excise Tax Act* and are liable for the collection of the GST/HST, and numerous other cases have settled the issues of sovereignty, aboriginal, and treaty rights. Businesses operating on reserves must register for the GST/HST, collect the GST/HST and file GST/HST returns.

For more information on the GST/HST and Indians, please refer to GST/HST Technical Information Bulletin B-039R, *GST Administrative Policy, Application of GST to Indians*.



## Fall 2002 – Edition No. 46

### GST/HST and dietary supplements

The CCRA has issued a policy statement which discusses whether products commonly described as “dietary supplements” are taxable at 7% GST (i.e., or 15% HST, as applicable) or at 0% (zero-rated). The policy statement considers whether such products are zero-rated as food or beverages for human consumption, or as an ingredient to be mixed with or used in the preparation of such food or beverages. If not considered to be a food, beverage or ingredient, the product is not zero-rated.

#### Food, beverage or ingredient

A product is considered a food, beverage or ingredient if an average consumer would recognize and purchase the product in the ordinary course of buying basic groceries, or if it would be consumed by an average consumer when food or beverages are typically consumed, such as at mealtimes or for a snack.

In order to be regarded as an ingredient to a food or beverage, an item must be an integral part of a final product which would be considered to be a food or beverage by the average consumer.

In general, food and beverages or ingredients are consumed to sustain or maintain life, to allay hunger or thirst, or for enjoyment, rather than for therapeutic or preventative effects (e.g., to correct actual or perceived health problems), or to achieve specific beneficial effects related to performance or physique.

If a product is not considered to be a food, beverage, or ingredient, it is not zero-rated.

#### Dietary supplements

A product that is marketed for its beneficial effects, and that is added to a food or beverage simply as a means of consuming it, would not be considered by an average consumer as an ingredient simply because it is ingested in this manner.

Products commonly described as “dietary supplements” are generally made from synthetic or natural ingredients that are ingestible and that may be nutritive. These products are available in a variety of formats: solid, including powders or capsules/pills; gels; liquids, including oil; and tinctures. They may also contain vitamins, minerals, fibre, protein, amino acids, fatty acids, enzymes, or compounds derived from plant or animal products.

#### Criteria

Meal replacement and nutritional supplement products that meet the criteria set out in the *Food and Drugs Act* are not covered by this policy and such products would generally be zero-rated.

The following criteria related to labelling, packaging and marketing help to determine whether or not a product is considered to be a food, beverage or ingredient:

- Identification as a “dietary supplement” or “supplement”;
- Claims or product names or pictorial representations advising that the product:
  - a) has a therapeutic or preventative effect,
  - b) enhances mental or physical performance, or
  - c) enhances physique or weight loss;
- Emphasis on particular nutrient(s) not commonly regarded by a consumer as an ingredient (e.g., whey protein isolate) or statements as to the purity or superior source of

the nutrient. The nutrient is emphasized if the name of the nutrient is prominently displayed on the label. However, this does not include general nutrition information or information that a product is fortified with particular vitamins and minerals, or that it is a source of protein;

- Restrictions related to specific frequencies or quantities of dosage and certain warnings as to who should not consume the product or should only consume it in restricted amounts, or that the product is to be “taken” or “taken as directed by a physician”;
- A Drug Identification Number (DIN). Although not determinative in itself, the presence of a DIN may be an indication that the product is promoted and consumed for its beneficial effects. However, the absence of a DIN does not necessarily mean that a product is considered to be a “food” or a “beverage”;
- A listing of active or medicinal ingredients;
- Comparison to other products that are not considered to be a food, beverage or ingredients; and
- Focus on the benefits of the product, rather than the format. For example, a manufacturer may offer a product in both pill and liquid formats. Although a person may prefer a particular format for ease of consumption, the primary focus continues to be on the expected health benefits of ingesting the product.

For more detailed information on this subject, please refer to Policy Statement P-240, *Application of GST/HST to Products Commonly Described as “Dietary Supplements”*.



## **Excise Act, 2001**

**B**ill C-47 received Royal Assent on June 13, 2002 and is now law. It enacts the *Excise Act, 2001*.

The *Excise Act, 2001* provides a modern framework for the taxation of spirits, wine and tobacco, modernizes the legislative provisions governing these products, and introduces an updated administrative and enforcement framework that reflects current industry practices.

This legislation also implements changes to ships' stores provisions and tobacco tax increases. Beer will continue to be subject to the provisions of the existing *Excise Act*.

The *Excise Act, 2001* is expected to be implemented July 1, 2003.

## **GST/HST and electronic commerce**

**T**echnical Information Bulletin B-090, *GST/HST and Electronic Commerce*, has been published and is available on the CCRA Web site. It discusses in detail the CCRA's interpretation of key provisions of the *Excise Tax Act* which are relevant to electronic commerce (i.e., supplies made over the Internet), and outlines how the CCRA's administrative policies pertain to transactions made by electronic means.

Electronic commerce has fundamentally changed the way business is conducted and raises several interpretative issues concerning the administration of the GST/HST.

The following issues are dealt with in this TIB:

- the characterization of supplies i.e., determining whether a supply is one of property or service;
- place of supply;
- supplies to non-residents; and
- non-resident registration.

This publication is on the CCRA Web site under Tax, Technical Publications, Excise and GST/HST.

## **Other articles published in the Fall 2002 newsletter**

**T**hese articles were also published in the Fall 2002 edition of the newsletter (No. 46) and can be found on the CCRA Web site.

### **Agreement with the Retail Council of Canada**

This article announces that the CCRA has reached an agreement with the Retail Council of Canada to publish a small flyer the size of a bank note to reinforce the fact that everyone purchasing goods and services in Canada, except Status Indians, has to pay the GST/HST. Extra copies of the flyer are available through an Internet link in the article.

### **GST/HST and electric scooters**

This article discusses how GST/HST applies to three- and four-wheeled electrical mobility

vehicles or scooters, their parts, accessories and attachments. These scooters are zero-rated (i.e., taxable at 0%) if they are specially designed for use by an individual with a disability.

### **Reducing red tape with our partners**

This article announces service enhancements which Service New Brunswick (SNB) and the CCRA have worked out together to make business registrations simpler and easier. During a single session at [www.businessregistration.gc.ca](http://www.businessregistration.gc.ca), businesses can now register for selected CCRA, New Brunswick, Nova Scotia and Ontario business programs and can obtain a Business number at the SNB Web site ([www.snb.ca](http://www.snb.ca)).

### **Programs for exporters**

This article highlights the CCRA's export-oriented trade incentives programs which offer companies doing business in Canada many of the same duty and tax incentives as those found in free trade zones around the world.

The Duty Deferral Program, the Exporter of Processing Services (EOPS) Program and the Export Distribution Centre Program (EDCP) are discussed. For more detailed information on these programs please see the CCRA Web site under Customs, Business, Importing.

## Summer 2002 – Edition No. 45

### CCRA focuses on small business for R&D tax credits

Small and medium-sized businesses may not be taking full advantage of the tax credits offered through the federal government's Scientific Research & Experimental Development (SR&ED) Program.

The program has been designed by the federal government and administered by the CCRA as a major incentive to encourage research and development (R&D) in Canada.

If your company qualifies, you could recover up to 35% of your SR&ED costs, possibly helping to finance further projects and improve your overall financial position.

You do not have to have a high-tech R&D facility to qualify. If you are a Canadian business that develops new or improved materials, products, or processes in Canada you may be eligible for refunds.

Your claimed work must also meet certain requirements concerning the type of work, involvement of technological advancement, supporting documentation, and expenditures.

The CCRA has set up the following services designed to meet the needs of small and medium-sized businesses:

- The **First Time Claimant Service** puts your business in touch with a representative who will answer your questions about the SR&ED Program.

- The **Account Executive Service** links you with a designated contact person from the SR&ED Program. This makes for effective, two-way communication.

- The **Preclaim Project Review Service** offers you a preliminary opinion on the eligibility of your projects.

- Information seminars are provided on a regular basis in most regions to provide introductory information to first time users.

For more information on the SR&ED Program, visit your tax services office or the CCRA Web site.

### Other articles published in the Summer 2002 newsletter

These articles were also published in the Summer 2002 edition of the newsletter (No. 45) and can be found on the CCRA Web site.

### Quick Method of Accounting

This article outlines what the Quick Method of Accounting is and who can use it.

### Air Travellers Security Charge

This article announces that the Air Travellers Security Charge (ATSC) received Royal Assent, when it is effective, and who collects it.

### Government of Canada appeals ruling in *Benoît v the Queen*

This article announces that the Federal Court of Appeal granted a stay of the decision of the Federal Court – Trial Division. The stay will permit the CCRA to continue to apply its programs, policies, and procedures in the usual manner. This minimizes uncertainty for individuals, employers, and merchants while the case is under appeal.

Please refer to the Media Room on the CCRA Web site.

### Update on Yukon First Nations and Yukon Indians

This article announces that the Ta'an Kwach'an First Nation Final Agreement has been confirmed by Order in Council. Effective April 1, 2002, the Ta'an Kwach'an First Nation and its Indian members will no longer be able to acquire goods or services relieved of tax unless the Indian members reside outside the Yukon and they meet the conditions set out in Technical Information Bulletin B039R, *GST Administrative Policy – Application of GST to Indians*.

## Spring 2002 – Edition No. 44

### Press release – student transport services

The Minister of Finance announced a proposed GST/HST amendment to the *Excise Tax Act* on December 21, 2001.

The proposed amendment relates to the treatment of school authorities and their provision of student transportation services. It ensures that the service of transporting elementary or secondary school students to or from a school operated by a school authority is treated as an exempt service where it is supplied by a school authority to a person other than another school authority.

The proposed amendment does not affect users of school bus services. It is intended to ensure that the provision of these services by school authorities continues to be treated as an exempt activity under the GST/HST.

To ensure consistent exempt treatment regardless of how these services may have been funded, the amendment is proposed to be effective from the implementation date of the GST (i.e., January 1, 1991). However, the proposed amendment will not affect any case that has already been decided by the federal courts.

For more detailed information please see the Department of Finance Web site at this address:

<http://www.fin.gc.ca/news01/01-126e.html>

### Other articles published in the Spring 2002 newsletter

These articles were also published in the Spring 2002 edition of the newsletter (No. 44) and can be found on the CCRA Web site.

#### Air Travellers Security Charge

As announced in the Federal Budget of December 10, 2001, the federal government will introduce an Air Travellers Security Charge (ATSC) to fund new air security expenditures. This article discusses who pays the ATSC and when.

#### Time limits for Indians and Indian bands making GST/HST general rebate claims

This article is a reminder that Indian bands and Indians can apply for a GST/HST rebate if the tax was paid for a product and it was acquired on a reserve or delivered to a reserve by the vendor. For band-management activities, GST/HST paid on off-reserve purchases of services, transportation, accommodation, meals, and entertainment is eligible for a rebate. GST/HST rebate claims made by Indians and Indian bands must be filed with the CCRA within two years of when the tax was paid.

#### Tax myth – individual GST/HST exemptions

This article is a reminder that the law does not provide relief from the GST/HST to any individuals except for Indians, as defined in the *Indian Act*, who acquire goods or services on a reserve or have goods delivered to a reserve by a vendor. GST/HST registrants are reminded that they must account for the GST/HST collectible on all taxable transactions.

### Press release – returnable beverage containers

This article announces that on February 8, 2002, a Notice of Ways and Means Motion to amend the *Excise Tax Act* was tabled in the House of Commons. The proposed amendments relate to the treatment of beverage container deposits under the GST/HST. Technical Information Bulletin B-089, *Returnable Containers*, explains these rules in detail.

### Press release – Nova Scotia New Housing Rebate and Speech Therapists' Services

This article announces that the Minister of Finance released draft amendments to the *Excise Tax Act* on December 28, 2001. One of the draft amendments modifies the existing New Housing Rebate for the provincial portion of the HST in Nova Scotia. As announced by the government of Nova Scotia in its 2001 budget, the rebate will be targeted to first-time homebuyers and capped at a new maximum (\$1,500) starting on January 1, 2002.

The purpose of the other draft amendment is to extend the GST/HST exemption for speech therapists' services to the end of 2002.



## Shuswap First Nation Tax (Kinbasket First Nation Taxation)

This article announces that the Council of the Shuswap First Nation passed a by-law that imposes a 7% tax on the supply of tobacco products, fuel, and alcoholic beverages sold on the Shuswap First Nation reserve in British Columbia. The Council of the Shuswap First Nation has approved

this tax as the Kinbasket First Nation Taxation, effective February 1, 2002. The CCRA is administering the tax on behalf of the Shuswap First Nation.

### *Excise Act, 2001*

Bill C-47, the legislation to implement the *Excise Act, 2001*, was introduced in the House of Commons on December 6, 2001.

## Application of GST/HST to Yukon First Nations and Yukon Indians

This article discusses how CCRA administrative policy has changed as a result of jurisprudence involving the Carcross Tagish Yukon First Nation. The application of the GST/HST to Yukon First Nations and Indians who are members of such First Nations now depends on whether a final land claim agreement is in place.

## What's new in publications

### GST/HST Memoranda Series

Memorandum 7.5 *Electronic Filing and Remitting*

Memorandum 13.4 *Rebates for Printed Books, Audio Recordings of Printed Books, and Printed Versions of Religious Scriptures*

### GST/HST Guides

RC4028 *GST/HST New Housing Rebate*

RC4031 *Tax Refund for Visitors to Canada*

RC4033 *General Application for GST/HST Rebates*

RC4080 *GST/HST Information for Freight Carriers*

RC4082 *GST/HST Information for Charities*

RC4091 *GST/HST Rebate for Partners*

RC4100 *Harmonized Sales Tax and the Provincial Motor Vehicle Tax*

RC4125 *Basic GST/HST Information for Taxi and Limousine Operators*

RC4247 *The Special Quick Method of Accounting for Public Service Bodies*

### GST/HST Forms

GST22 *Real Property – Election to Make Certain Sales Taxable*

GST176 *Application for Visitor Tax Refund*

GST189 *General Application for Rebate of GST/HST*

GST190 *GST/HST New Housing Rebate Application*

GST190WS *Construction Summary Worksheet*

GST287 *Election or Revocation of the Election by Public Service Bodies to use Special Quick Method of Accounting*

GST370 *Employee and Partner GST/HST Rebate Application*

GST488 *Election or Revocation of an Election not to Use the Net Tax Calculation for Charities*

GST498 *GST/HST Rebate Application for Foreign Representatives, Diplomatic Missions, Consular Posts, International Organizations, or Visiting Forces Units*

GST528 *Authorization to Use an Export Distribution Centre Certificate*

### Technical Information Bulletins

B-089 *Returnable Containers*

B-090 *GST/HST and Electronic Commerce*

Current publications can be found on the CCRA Web site at the following address: [www.ccra-adrc.gc.ca/tax/business/gsthst/menu-e.html](http://www.ccra-adrc.gc.ca/tax/business/gsthst/menu-e.html) for guides, pamphlets, forms, and the *GST/HST News*, or at [www.ccra-adrc.gc.ca/menu/EmenuKZW.html](http://www.ccra-adrc.gc.ca/menu/EmenuKZW.html) for GST/HST Memoranda Series, Technical Information Bulletins, Policy Statements and Notices.

## Prescribed rates of interest

**G**ST/HST interest and penalty compound daily. Income tax interest also compounds daily. For excise duty, penalty compounds monthly, and interest compounds daily. For excise tax, penalties and interest are calculated monthly for each month or part-month in which a balance remains. The total amount payable is based on the total tax, penalties, and interest outstanding. Prescribed interest rates are adjusted every calendar quarter.

These rates of interest are also available on the CCRA Web site at:

<http://www.ccra-adrc.gc.ca/E/pub/gi/priereq/prier-e.html>

	GST/HST, Excise Tax (annualized rates)		Excise Duty (annual rates)		Income Tax (annual rates)	
	Interest*	Penalty	Interest	Penalty	Refund Interest	Arrears and Instalment Interest
<b>2003</b>	%	%	%	%	%	%
January 1 – March 31	2.4333	6.0	5.0	6.0	5.0	7.0
<b>2002</b>						
October 1 – December 31	2.3804	6.0	5.0	6.0	5.0	7.0
July 1 – September 30	2.3804	6.0	5.0	6.0	5.0	7.0
April 1 - June 30	2.4066	6.0	4.0	6.0	4.0	6.0
January 1 - March 31	2.4333	6.0	5.0	6.0	5.0	7.0

\* To calculate interest for GST/HST purposes only, divide the adjusted annual interest rate by 365 and apply it daily.

### GST/HST News electronic mailing list

**R**ecieve your *GST/HST News* on time, every quarter, by subscribing to the online mailing list for this newsletter.

We will notify you every quarter when the newsletter is published and provide you with a link to the most current edition.

To join the mailing list, you must provide your e-mail address, and you will be asked to read the CCRA privacy statement before you confirm your request.

To subscribe to the *GST/HST News*, please go to the CCRA Web site at this address: [www.ccra.gc.ca/gsthstnews](http://www.ccra.gc.ca/gsthstnews)

### GST/HST enquiries

To make enquiries regarding your GST/HST account call

Business Enquiries at  
1-800-959-5525

To make enquiries regarding the status of specific GST/HST domestic rebate claims call

1-800-565-9353

To make enquiries regarding the status of visitor rebate claims call

1-800-668-4748

To obtain copies of forms and publications call,  
1-800-959-2221

**T**he *GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), as well as excise taxes and duties. This publication is provided for information purposes only and does not replace law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Canada Customs and Revenue Agency (CCRA) tax services office or call Business Enquiries at 1-800-959-5525.

Comments or suggestions about the newsletter should be sent to the Editor, *GST/HST News*, Policy and Legislation Branch, CCRA, Ottawa, Ontario K1A 0L5.



Canada Customs  
and Revenue AgencyAgence des douanes  
et du revenu du Canada

Canada

Government  
Publication

Français

Contact us

Help

Search

Canada Site

What's new

Media room

Electronic  
mailing listsElectronic  
servicesForms and  
publications

Home

Site map

[Forms and publications >](#)This document is also available for [download in other formats](#).

## GST/HST News

Edition Number 48  
Spring 2003

### Standard Disclaimer

The *GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), as well as excise taxes and duties. This publication is provided for information purposes only and does not replace the law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Canada Customs and Revenue Agency (CCRA) tax services office or call Business Enquiries at 1-800-959-5525. Comments or suggestions about the newsletter should be sent to the Editor, *GST/HST News*, Policy and Legislation Branch, CCRA, Ottawa, Ontario K1A 0L5.

ISSN 1183-689X

### Table of Contents

- [Federal Budget](#)
- [Excise Act, 2001](#)
- [Finance Release - Proposed GST/HST Amendments](#)
- [Prepaid Funeral Arrangements](#)
- [In Vitro Diagnostic Products](#)
- [Sale of Prepaid Telephone Cards to Indians](#)
- [Reminder for Non-Registrant Builders](#)
- [Net Tax Calculation Method for Charities](#)
- [Third-Party Permit and Inspection Services in Alberta](#)
- [Get it in Writing! Consumer Awareness Campaign](#)
- [What's New in Publications](#)
- [Prescribed Rates of Interest](#)
- [GST/HST Enquiries](#)

### Federal Budget

The Minister of Finance announced the following legislative amendments when he presented the federal budget on February 18, 2003. These proposed amendments were included in Notices of Ways and Means Motions which were tabled with the budget.

### Transportation services by school authorities

A supply made by a school authority to elementary or secondary school students of a service of transporting the students to or from school is GST/HST exempt. On December 21, 2001, a proposed amendment was announced to



ensure that the service of transporting elementary or secondary school students to or from a school operated by a school authority continues to be treated as an exempt supply where it is made by a school authority to a person other than another school authority.

A Notice of Ways and Means Motion tabled with the budget includes a proposed amendment, retroactive to December 1990, to implement the December 21, 2001 announcement. The proposed amendment will not affect the cases that were decided in favour of appellant school authorities by the Federal Court of Appeal before December 21, 2001, in respect of the reporting periods of those authorities that were the subject of those decided cases, but will allow CCRA to assess school authorities for other reporting periods in which they received full input tax credits as a result of the court decision, even if those reporting periods are otherwise statute-barred.

Likewise, the reassessment authority permits the CCRA to reassess the net tax, or an amount payable under section 230.1 of the Act in respect of an overpayment of a net tax refund, of any other school authority whose net tax was previously assessed by the Minister, in order to take into account any difference in that net tax that results from the application of the amendment to the exempting provision, despite any court decision rendered after December 21, 2001. The limitation period for making reassessments under this provision is extended by one year from the day the provision receives Royal Assent, if the limitation period under the Act for making reassessments would otherwise have expired sooner.

## Municipal services



Most supplies of basic municipal services to municipal residents are exempt from GST/HST. These supplies are exempt to the municipal residents (i.e. no GST/HST is payable on any fee charged to the residents), whether or not the services are delivered directly by a municipality or government, or by private companies with which the municipality or government contracts to provide services. However, this exemption is not intended to apply to supplies made by private companies where the recipient of the supply is the municipality or government, rather than the municipal residents. The budget proposes to amend the Act, retroactive to December 1990, to clarify that purchases by municipalities or governments of contracted municipal services continue to be taxable.

## Tobacco products

The *Excise Tax Act*, *Customs Tariff* and the *Excise Act, 2001* will be amended to implement the tobacco tax increases proposed on June 17, 2002. These include increases in the excise tax on cigarettes, tobacco sticks and other manufactured tobacco, as well as a range of increases in excise tax and excise duty on cigars, exported tobacco products, tobacco products delivered to duty free shops and for use as ships' stores, or imported by Canadian residents returning to Canada. These increases have been in effect since June 18, 2002.

## Bio-diesel and ethanol-diesel (E-diesel)

The current \$0.04 per litre tax on diesel fuel will be removed from the following:

- bio-diesel fuel produced from waste materials or feed stocks of biological non-fossil fuel origin;
- that portion of blended bio-diesel fuel that is equal to the percentage by

volume of the blended fuel that constitutes bio-diesel fuel produced from waste materials or feed stocks of biological non-fossil fuel origin;

- that portion of ethanol-diesel fuel blend or methanol-diesel fuel blend that is equal to the percentage by volume of the fuel blend that constitutes ethanol or methanol that is made from biomass or renewable feed stocks, and not from petroleum, natural gas, or coal.

These amendments will be applicable to fuel sold or imported after February 18, 2003.

### Fuel excise tax refund claims

The *Excise Tax Act* will be amended to clarify that the refund of excise tax on goods exported from Canada will not apply to fuel transported out of Canada in the fuel tank of the vehicle used for that transportation. This amendment will apply to all applications for refund received by the Minister of National Revenue on or after February 18, 2003.

### Air Travellers Security Charge (ATSC)

The charge will be reduced for tickets acquired in Canada (including tickets deemed to have been acquired in Canada) for travel solely within Canada. The charge for transborder and international flights will not be affected.

For domestic air travel, where the GST/HST applies at the rate of 7% or 15% for the air transportation service, the ATSC will be \$6.54 for each chargeable emplanement, to a maximum of \$13.08. Where the GST/HST does not apply, the ATSC will be \$7.00 for each chargeable emplanement, to a maximum of \$14.00. These reductions apply to travel on or after March 1, 2003, so long as the ticket is not purchased before that date. There will be no refund for amounts paid before March 1, even if the travel takes place on or after March 1, 2003.

### Standardized Accounting



As part of its Standardized Accounting initiative, the budget proposes to harmonize a number of interest, penalty, and related administrative provisions of the non-GST/HST parts of the *Excise Tax Act* and the *Income Tax Act*.

### More information

For more detailed information about the budget, please refer to the Department of Finance Web site under the heading "[Budget Info](#)".

### Excise Act, 2001

The new *Excise Act, 2001* is scheduled to be implemented July 1, 2003. the new Act modernizes the legislative provisions governing the taxation of spirits, wine and tobacco, modernizes the legislative provisions governing these products and introduces an updated administrative and enforcement framework that reflects current industry practices.

Upon implementation, current licences or permits dealing with the manufacture, warehousing, or use of these products will become obsolete. Licensing and registration packages for the new *Excise Act, 2001* are being mailed out to



persons licensed under the existing *Excise Act* (except for brewers), as well as wine producers and ferment-on-premises operations. If you do not receive a package in the mail and believe you require one, please contact your **regional Excise Duty office** to request one.

## Finance Release – Proposed GST/HST Amendments

On December 20, 2002, the Minister of Finance issued a press release announcing technical amendments to the *Excise Tax Act* (the Act). The most significant amendments relate to the GST/HST treatment of transactions involving agents and the addition of discretionary power for the CCRA to accept late filed applications for the GST/HST New Housing Rebates for owner-built homes.

The Act has special rules that allow a vendor to recover the GST/HST portion of a bad debt. In addition, a vendor and an agent who makes a sale on behalf of the vendor can jointly elect to have the agent account for the GST/HST on the sale, though they each remain jointly and severally liable for the tax. However, at present, neither the vendor nor the agent can recover GST/HST on bad debts when such an election has been made in respect of the sale. The amendments correct this anomaly and extend the election to billing agents.

As well, the amendment to the legislation permits the CCRA to accept applications for owner-built homes under the GST New Housing Rebate and the Nova Scotia HST First-time Homebuyers' Rebate after the period otherwise allowed for making the application. The amendment recognizes that exceptional circumstances may prevent an owner-builder from filing the rebate application by the normal due-date.

Other amendments include a permanent exemption from tax for speech language pathology services, modifications to the Nova Scotia HST First-time Homebuyers' Rebate, and the addition of an artists' collective to the list of prescribed collectives, and the addition of another literacy organization to the list of prescribed organizations eligible to receive the Federal Book Rebate.

A copy of the release, backgrounder, draft amendments and explanatory notes are available via **Finance Canada's Web site** under "What's New".

## Prepaid Funeral Arrangements



Technical Information Bulletin (TIB) B-091, **Timing of the Application of the GST/HST to Prepaid Funeral Arrangements**, has been published. It discusses in detail the CCRA's position with respect to prepaid funeral arrangements.

A prepaid funeral arrangement is an arrangement under which a supplier of funeral services, such as a funeral home, contracts with a person to provide specific funeral services on an individual's death. The arrangement is typically financed by placing funds in a trust or by the purchase of an insurance policy.

In general, the CCRA position is that for prepaid funeral arrangements where the contributions are held in trust pursuant to provincial legislation and/or the terms of the arrangement, the contributions are not considered to be prepayments. The funeral home will not be required to account for the GST/HST on the contributions made under the prepaid funeral arrangement and any interest that accumulates in the trust until the amounts are no longer required to be held in trust and are distributed to the funeral home. The contributions may be based on an estimate of the consideration that will be payable for the funeral services and the eventual GST/HST that will apply.



GST/HST will apply on the value of the consideration to be paid to the funeral home under the prepaid funeral arrangement at the time it is paid or becomes due to the funeral home whichever is earlier. The value of the consideration and tax payable to the funeral home under the agreement generally approximates the amount of the contributions and any interest that has accumulated in the trust. Any additional amounts payable by the purchaser or the individual's estate at the time the funeral services are provided will also be subject to the GST/HST at that time.

The funeral home will be required to account for the GST/HST on any amount that is not held in trust, whether it is pursuant to the applicable provincial legislation or the terms of the contract itself.

Additionally, where the income generated by the funds held in trust is payable directly to the funeral home, pursuant to provincial legislation and/or the terms of the arrangement, that income is considered to be part of the consideration for the services to be provided by the funeral home and is subject to the GST/HST at the time that it is paid to the funeral home. Of course, if the price charged to the client is tax-included, that portion of the amount that represents GST/HST must also be accounted for according to the usual rules.

The funeral home is not required to account for any GST/HST in respect of any funds received from the trust that are to be disbursed to the purchaser or the individual's estate.

GST/HST will also apply in the above manner where the contribution is made by the purchaser to an insurer in respect of an insurance contract whereby the insurance proceeds are payable to the funeral home as the beneficiary.

### Effective date and transitional rules

These rules are effective from the implementation of the GST on January 1, 1991, and the HST on April 1, 1997. However, these rules will not affect the majority of contracts where the funeral home remitted tax at the time of entering into the agreement. Funeral homes that had been remitting tax at the time of entering into prepaid agreements must comply with the rules by April 1, 2003.

If the funeral home cannot comply by April 1, 2003, transitional rules will be in effect for contracts entered into by those homes until January 1, 2004.

### *In Vitro* Diagnostic Products



*In vitro* diagnostic products, namely, test kits, reagents, and animal blood products purchased by medical laboratories and hospitals are subject to the GST/HST at the rate of 7% or 15%. These products are for use in an assortment of laboratory procedures, such as growing cells, research, and the testing of bodily specimens.

*In vitro* diagnostic products are not considered drugs included by name or description, in the schedules to the ***Food and Drugs Act***. Therefore, they do not fall within the zero-rating provision of section 2 of Part I of Schedule VI to the ***Excise Tax Act*** for prescription drugs and biologicals.

For more information on the tax status of drugs and biologicals, please refer to GST/HST Memorandum 4.1 ***Drugs and Biologicals***.

## Sale of Prepaid Telephone Cards to Indians

For purposes of Technical Information Bulletin B-039R, "**GST Administrative Policy: Application of GST to Indians**," the CCRA's position is that the supply of prepaid telephone cards, whether acquired on or off reserve by an Indian, is taxable at 7% (GST) or 15% (HST).

If you have questions regarding the sale of telephone cards to Indians and the GST/HST, please call a GST/HST Rulings Officer at 1-800-959-8287.

## Reminder for Non-Registrant Builders

If you are a non-registrant builder who qualifies for the New Residential Rental Property Rebate, you are required to remit GST/HST on the fair market value of the residential property, and you must report the tax using form GST62, **GST/HST Return (Non-personalized)**. Note the GST62 must be filed and GST/HST due must be paid not later than the last day of the month following the month when the residential property is first rented following substantial completion of the property's construction.

To claim the New Residential Rental Property Rebate, use form GST524, **New Residential Rental Property Rebate Application**, and where the claim is for multiple units in the same residential complex, complete the supplementary form GST525, **Supplement to the New Residential Rental Property Rebate Application – Multiple Units**. If you file this rebate along with the GST62, you can offset part of the amount of GST/HST owing on the GST62 by the amount of this rebate.

Please note that this rebate cannot be claimed until you have filed the GST62 and remitted the tax on the self-assessment of the property.

You may also be entitled to claim a rebate of the GST/HST paid on the cost of constructing the complex. This rebate is equal to the lesser of the basic tax content and the tax that is required to be remitted on the deemed sale of the property. To claim this rebate, use form GST189, **General Application for Rebate of GST/HST**.

For more information please refer to guides RC4231, **GST/HST New Residential Rental Property Rebate** and RC4033, **GST/HST General Rebate Application**. For a copy of form GST62, please visit your tax services office, or call Business Enquiries at 1-800-959-5525.

## Net Tax Calculation Method for Charities



To calculate their net GST/HST remittance or refund, charities that are GST/HST registrants are required to use a simplified net tax calculation when completing their GST/HST returns.

By using this method, charities remit only 60% of the GST/HST they collect or that was collectible on most of their taxable supplies, and 100% of the GST/HST collected or that was collectible on taxable sales of real and capital property.

Charities are able to claim input tax credits for GST/HST payable only on purchases of and improvements made to real or capital property, subject to the normal eligibility rules. Charities are still entitled to claim rebates in respect of their non-creditable tax charged.



These charities must use form GST34, *Goods and Services Tax/Harmonized Sales Tax Return*, or GST62, *Goods and Services Tax/Harmonized Sales Tax Return (Non-personalized)*.

### **Election not to use the net tax calculation for charities**

A charity may elect not to use this special net tax calculation method if it makes supplies outside Canada, or zero-rated supplies in the ordinary course of its business, or if 90% or more of the supplies are taxable. In this case, it would elect using form GST488, ***Election or Revocation of an Election Not To Use the Net Tax Calculation for Charities***. Once the election is made, the charity will calculate its net tax remittance or refund using the general rules and must apportion its purchases between its taxable and exempt activities when calculating its entitlement to input tax credits and rebates.

For more information, please refer to guide RC4082, ***GST/HST Information for Charities***.

### **Third-Party Permit and Inspection Services in Alberta**

This article is of interest to accredited municipalities and accredited regional services commissions in Alberta, as well as the accredited agencies that issue permits on behalf of accredited municipalities and accredited regional services commissions who would like information on the application of the GST to permit and inspection services provided under the *Alberta Safety Codes Act*.

Permits, whether issued by an accredited municipality, accredited regional services commission or an accredited agency on behalf of an accredited municipality or an accredited regional services commission, are GST exempt to the purchaser of the permit. GST should not be charged on building, plumbing, electrical, etc. permits issued in Alberta.

However, permit-related inspection services provided by an accredited agency to an accredited municipality or regional services commission are subject to GST. Accredited agencies who are GST registrants, are required to charge and remit GST on these services. They are also entitled to claim input tax credits for GST paid on any costs incurred in providing these taxable services.

Accredited municipalities and accredited regional services commissions may be entitled to claim the municipal rebate (57.14%) for the GST they paid to the accredited agency.

Please contact a GST/HST Rulings Officer at 1-800-959-8287 for more information.

### ***Get it in Writing!* Consumer Awareness Campaign**



Both the government and industry want to reduce the level of underground activity in the residential construction sector. To this end, the Canadian Home Builders' Association (CHBA) in partnership with the CCRA, have developed the *Get it in Writing!* consumer awareness campaign, a two year, multi-faceted initiative.

The *Get it in Writing!* consumer campaign will focus on one key objective: to ensure that consumers are aware of the serious risks they face if they choose to hire a contractor without having a proper contract. The *Get it in Writing!* message is prudent consumer advice. It reinforces the value of hiring a



professional contractor - someone who works with a contract and protects customers from unnecessary risks.

Underground operators also undermine the value of being a professional new homebuilder, renovator or trades contractor. The *Get it in Writing!* campaign will provide direct business benefits to CHBA members, will assist in leveling the playing field, and will help promote the fairness and integrity of the tax system.

For more information please go to the **official Web site** which includes a wide array of information and advice for consumers, including links to other relevant government and industry Web sites.

## What's New in Publications

### GST/HST Technical Information Bulletins

B-091

**Timing of the Application of the GST/HST to Prepaid Funeral Arrangements**

### GST/HST Guides

RC4160

**Tax Refund for Non-Resident Travel Organizers and Foreign Conventions**

Current publications can be found on the CCRA Internet site at the following address: [www.ccra-adrc.gc.ca/tax/business/gsthst/menu-e.html](http://www.ccra-adrc.gc.ca/tax/business/gsthst/menu-e.html) for guides, pamphlets, forms, and the *GST/HST News*, or at [www.ccra-adrc.gc.ca/menu/EmenuKZW.html](http://www.ccra-adrc.gc.ca/menu/EmenuKZW.html) for GST/HST Memoranda, Technical Information Bulletins, Policy Papers and Notices.

## Prescribed Rates of Interest



GST/HST interest and penalty compound daily. Income tax interest also compounds daily. For excise duty, penalty compounds monthly, and interest compounds daily. For excise tax, penalties and interest are calculated monthly for each month or part-month in which a balance remains. The total amount payable is based on the total tax, penalties, and interest outstanding. Prescribed interest rates are adjusted every calendar quarter.

These **rates of interest** are also available on the CCRA Web site

### GST/HST, Excise Tax (annualized rates)

2003	Interest % *	Penalty %
April 1 – June 30	2.4066	6.0
January 1 – March	2.4333	6.0

\* To calculate interest for GST/HST purposes only, divide the adjusted annual interest rate by 365 and apply it daily.

### Excise Duty (annual rates)

2003	Interest %	Penalty %
April 1 – June 30	5.0	6.0
January 1 – March	5.0	6.0

Income Tax (annual rates)

2003	Refund Interest %	Arrears and Instalment Interest %
April 1 – June 30	5.0	7.0
January 1 – March 31	5.0	7.0

GST/HST Enquiries



To make enquiries regarding your GST/HST account call Business Enquiries at

1-800-959-5525

To make enquiries regarding the status of specific GST/HST domestic rebate claims call

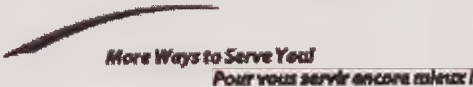
1-800-565-9353

To make enquiries regarding the status of visitor rebate claims call

1-800-668-4748

To obtain copies of forms and publications call

1-800-959-2221



Updated: 2003-03-26



Important notices





## GST/HST News #49

Summer 2003

### Standard Disclaimer

The *GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), as well as excise taxes and duties. This publication is provided for information purposes only and does not replace the law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Canada Customs and Revenue Agency (CCRA) tax services office or call Business Enquiries at 1-800-959-5525. Comments or suggestions about the newsletter should be sent to the Editor, *GST/HST News*, Policy and Legislation Branch, CCRA, Ottawa, Ontario K1A 0L5. ISSN 1183-689X

La version française de ce bulletin est intitulée *Nouvelles de la TPS/TVH*.

### Table of Contents

<b>EXCISE ACT, 2001 -- OVERVIEW .....</b>	<b>2</b>
<b>PRINTING AND GRAPHIC DESIGN .....</b>	<b>6</b>
<b>EXPORTED GOODS AND SERVICES.....</b>	<b>7</b>
<b>REBATE FOR PRINTED BOOKS.....</b>	<b>10</b>
<b>GST/HST FRAUD.....</b>	<b>11</b>
<b>FILE YOUR GST/HST RETURN ELECTRONICALLY .....</b>	<b>12</b>
<b>REMINDER: GET IT IN WRITING! CONSUMER AWARENESS CAMPAIGN .....</b>	<b>13</b>
<b>NEW PRESCRIBED RATES OF INTEREST .....</b>	<b>14</b>
<b>WHAT'S NEW IN PUBLICATIONS .....</b>	<b>16</b>
<b>GST/HST ENQUIRIES .....</b>	<b>17</b>

## ***Excise Act, 2001 -- Overview***

The *Excise Act, 2001* will be implemented on July 1, 2003. The *Excise Act, 2001* (the new Act) provides a modern framework for the taxation of spirits, wine and tobacco, modernizes the legislative provisions governing these products, and introduces an updated administrative and enforcement framework that reflects current industry practices. Beer continues to be governed by the existing *Excise Act*. The following is a brief summary of the major elements of the new Act.

### **Licensing and Registration**

Under the new Act, producers of spirits, wine and tobacco products, users of industrial alcohol, and persons warehousing non-duty-paid spirits and wine are subject to more comprehensive licensing requirements than under the former excise regime. In particular, all commercial vintners are required to be licensed. New registration requirements apply to persons who are not taxpayers under the new Act, but who carry on activities, such as transportation, in relation to spirits, wine or specially denatured alcohol.

### **Spirits and Wine**

The new Act retains the production levy on spirits, but replaces the excise tax that was levied under the *Excise Tax Act* on sales of wine with a production levy at an equivalent rate. The excise tax exemption will be maintained for wine produced by vintners whose yearly sales do not exceed \$50,000.

Prior to packaging, excise duty is not payable on bulk alcohol. As a result, there are tight controls over possession and disposition of bulk alcohol. Duty becomes payable when spirits or wine are packaged for consumption, or when packaged spirits or wine are imported. However, the introduction of excise warehouses allows for the deferral of the payment of excise duty on domestic and imported packaged spirits and wine until the time the spirits or wine are removed from the warehouse for sale to a retailer.

The new legislation exempts individuals producing wine at a residence or a registered ferment-on-premises facility for their personal use from the requirements to be licensed and to pay excise duty.

### **Alcohol for Non-beverage Use**

Two categories of authorized users continue to be permitted to acquire and use spirits on a non-duty paid basis. Licensed users can use non-duty-paid spirits in approved non-beverage uses, and registered users can use non-duty-paid spirits for medicinal or scientific purposes, provided they are qualifying health, educational or research establishments. Licensed users can also use wine in approved non-beverage uses.

Licensed users no longer have to meet the former requirement of holding separate licences for different classes of products, nor are they required to hold separate inventories for each product category. The nominal rates of duty that applied to spirits for non-beverage use have been eliminated. However, imported spirits acquired by a licensed user will continue to be subject to the special duty of \$0.12 per litre.

As under the former excise regime, there are no restrictions on the distribution or use of denatured alcohol. However, there are tight controls over the possession and use of specially denatured alcohol. Only specially denatured alcohol registrants may use specially denatured alcohol.

### **Tobacco Products**

The excise duty and excise tax on tobacco products other than cigars are rolled into a single production levy on tobacco products payable at the time of packaging. In the case of cigars, a production levy is payable at the time of packaging and an additional duty identical to the former excise tax is payable at the time of delivery to a purchaser by the tobacco licensee who manufactured the cigars. In the case of imported tobacco products, the duty is payable at the time of importation. To ensure equitable treatment with Canadian raw leaf tobacco, duty is payable on raw leaf tobacco imported by a person other than a tobacco licensee.

The new Act imposes a special duty on imported manufactured tobacco sold in duty free shops, manufactured tobacco imported by returning residents under the terms of the traveller's allowance, and exported domestic manufactured tobacco. The rates of the special duties are equivalent to the rates of the former levies imposed under the *Excise Tax Act* and the *Customs Tariff* that were applicable to these categories of manufactured tobacco.



The stamping and marking requirements for tobacco products continue to apply and play a key role in the enforcement of the new Act. Controls continue to apply to the possession and disposition of raw leaf tobacco and partially manufactured tobacco.

### **Administration and Enforcement**

Consistent with the CCRA's integrated accounting initiative, the new duty remittance and return structure has been harmonized with other taxes and with commercial accounting periods. There are also new assessment and appeal provisions similar to those under the GST/HST legislation.

The new Act encompasses a range of modern enforcement mechanisms such as: certificates of default, garnishment, seizure, the sale of goods and chattels and directors' liability. While the posting of guarantee bonds has been generally eliminated, spirits licensees and tobacco licensees are required to provide security to complement the proposed collection tools.

With respect to other enforcement measures, the new Act incorporates the offence provisions relating to the illegal production, possession or sale of contraband tobacco from the former *Excise Act*. New comprehensive controls on the possession, use and disposition of non-duty-paid spirits and wine will significantly improve the alcohol offence structure and the fines for alcohol-related offences have been substantially increased. As well, proceeds of crime provisions under the new Act cover serious alcohol offences.

In addition to strengthened offence provisions, the new Act provides for a range of administrative penalties that may be imposed on licensees, registrants and other persons dealing with excisable goods who fail to comply with particular requirements of the law.

### **Transitional Provisions and Implementation**

The new Act contains transitional provisions that apply to spirits, wine and tobacco products, manufactured or imported prior to its coming into force, but in respect of which the duty or excise tax under the former regime is not payable when the new Act takes effect. In certain circumstances, refunds may be provided in respect of duty or excise tax-paid products that become subject to the provisions of the new Act.

The CCRA has published and distributed an initial package of bulletins and memoranda for persons who have to be licensed or registered under the new Act. A further confirmation package is being mailed to new licensees and registrants along with detailed transitional information to assist them in complying with the new Act.

Technical publications which discuss the *Excise Act, 2001* are available on the Excise duty Web site:

<http://www.ccr-aadrc.gc.ca/tax/technical/act2001-e.html>

## **Printing and Graphic Design**

In the case of a supply of printing, a client generally contracts with an organization to acquire property in the form of business cards, letterheads, envelopes, brochures, etc. Upon printing of the items, the property is transferred to the client. The primary purpose of the transaction is the transfer of the property. The CCRA considers, in cases such as these, that the supply of printing is generally a taxable supply of tangible personal property for GST/HST purposes.

However, under certain circumstances, the supply of printing may not be a supply of property. If the recipient of the supply were to provide the necessary inputs (e.g. blank business cards, t-shirts, paper, etc.), the supply of printing would be the supply of a service.

The supply of graphic design generally involves a graphic designer using specialized technology and computer software to produce designs and layouts. The supply of graphic design, in and of itself, is considered to be the supply of a service. As a result, when a public institution, such as a university, makes a supply of graphic design it is considered an exempt supply.

There are many situations when an organization that provides supplies of printing also provides graphic design. For example, a client requires business cards but in order to have the cards printed, graphic design is required. In such situations, both activities will constitute a single supply of tangible personal property.



## Exported Goods and Services

### Exported Goods

Goods (other than excisable goods such as beer and tobacco) that you supply in Canada and that are ordinarily taxable at 7% GST or 15% HST may be zero-rated if they are exported from Canada in certain circumstances. This includes where the purchaser exports the goods or you have them sent outside Canada.

When the purchaser intends to export the goods, you do not charge GST/HST if all of the following conditions are met:

- (a) the purchaser is not a consumer (a consumer is usually an individual who is buying the goods for his or her *personal* use, consumption or enjoyment);
- (b) the purchaser exports the goods as soon as is reasonable in the circumstances after you deliver them, having regard to the facts of each situation including the type of property and, where applicable, the normal business practice of the recipient;
- (c) the purchaser does not buy the goods to consume, use, or supply them in Canada before exporting them;
- (d) after the goods are supplied and before they are exported, they are not further processed, transformed, or altered in Canada, unless it is reasonably necessary or incidental to transport them;
- (e) you maintain satisfactory evidence, for audit purposes, that the purchaser has exported the goods; and
- (f) if the property being exported is electricity, crude oil, natural gas, or any good that can be transported by means of wire, pipeline or other conduit, the purchaser is not registered for GST/HST purposes.

If the goods that are exported by the purchaser do not meet the above conditions, you have to collect the GST/HST on the taxable supply of the goods and the purchaser has to pay it. However, a non-resident purchaser may be eligible for a rebate of the tax paid on the goods (other than excisable goods and gasoline).

To qualify for the GST/HST rebate, the non-resident purchaser has to export the goods from Canada within 60 days of delivery, as well as meet other conditions. For more information on the eligibility requirements with respect to exported commercial goods, see the guide RC4033, *General Application for GST/HST Rebates*. (<http://www.ccra-adrc.gc.ca/E/pub/gp/rc4033/README.html> ).

The supply of goods made in Canada may also qualify for zero-rating as an export where you ship the goods outside Canada as specified in a contract of carriage, you give possession of the goods to a common carrier you retain on behalf of the purchaser to ship them outside Canada, or you send the goods by mail or courier outside Canada. More information on exported goods is available in GST/HST Memorandum 4.5.2, *Exports - Tangible Personal Property* (<http://www.ccra-adrc.gc.ca/E/pub/gm/4-5-2/README.html>)

### **Exported services**

You do not have to collect the GST/HST on services you perform totally outside Canada as these services are generally supplied outside Canada. However, certain services supplied in Canada may qualify for zero-rating as exports.

Services you perform in respect of temporarily imported goods are zero-rated (except transportation services). The goods must be brought into Canada for the sole purpose of having the service performed and must be subsequently exported as soon as possible. Any parts supplied in conjunction with these services are also zero-rated.

The following services provided to a non-resident person may be zero-rated in certain circumstances:

- advisory, professional, or consulting services;
- advertising services;
- advisory, consulting, or research services to help a non-resident person establish a residence or a business in Canada;
- services or goods acquired by an unregistered non-resident person to fulfill a warranty obligation;
- custodial or nominee services for the non-resident person's securities or precious metals;
- a supply made by a person to an unregistered non-resident person, other than an individual, of a service of instructing non-resident individuals in, or administering examinations in respect of,

courses leading to certificates, diplomas, licences, or similar documents, or classes or ratings in respect of licences, that attest to the competence of those individuals to practise or perform a trade or vocation;

- services to an unregistered non-resident person of destroying or discarding goods, or the services of dismantling goods for the purpose of exporting them;
- services to an unregistered non-resident person of testing or inspecting goods acquired or brought into Canada for this service and the goods are to be destroyed or discarded in the course of providing the service, or on its completion; and
- services of an agent acting for a non-resident person or services of arranging for, procuring, or soliciting orders for supplies by or to the person when the service relates to a zero-rated exported property or service, or if the supply to or by the non-resident person is made outside Canada.

More information on exports of services is available in GST/HST Memorandum 4.5.3, *Exports - Services and Intellectual Property* (<http://www.ccra-adrc.gc.ca/E/pub/gm/4-5-3/README.html> )

Remember that you can generally claim input tax credits to recover the GST/HST you paid or owe on purchases and expenses related to your supplies of zero-rated goods and services. For more information, see the guide called RC4022, *General Information for GST/HST Registrants*. (<http://www.ccra-adrc.gc.ca/E/pub/gp/rc4022/README.html> ).



## **Rebate for printed books**

Specified persons may claim a rebate of 100% of the GST or the federal portion of the HST that becomes payable after October 23, 1996, on their purchases of printed books, audio recordings of printed books, or printed versions of the scripture of any religion which are not for resale.

"Specified persons" are municipalities, universities, public colleges and school authorities, as well as charities, public institutions, and qualifying non-profit organizations that operate a public lending library. Other charities and qualifying non-profit organizations, the primary purpose of which is the promotion of literacy, also qualify as specified persons once they have been prescribed.

If you are eligible, you can claim the rebate of the GST or the federal component of the HST by completing form GST66, *Application for GST/HST Public Service Bodies' Rebate and GST Self-government Refund*. (link <http://www.ccra-adrc.gc.ca/E/pbg/gf/gst66/README.html>) The rebate should be claimed on line 307.

You can also find more information about rebates for printed books in GST/HST Memorandum 13.4, *Rebates for Printed Books, Audio Recordings of Printed Books, and Printed Versions of Religious Scriptures*. (<http://www.ccra-adrc.gc.ca/E/pub/gm/13-4/README.html>)

## **GST/HST Fraud**

The issue of GST/HST fraud has been in the public eye recently. As a result, you might think that fraudulent schemes relating to GST/HST are widespread. In actual fact, the vast majority of Canadians are honest and comply with tax laws, and only a very small number of people try to abuse the system.

Because there are some 2.6 million persons registered for the GST/HST in this country, and because the GST/HST system was built on a self-assessment basis, there will always be a potential for fraud.

The CCRA has been very active in combating GST/HST fraud and since the introduction of GST/HST, a great deal has been accomplished. A number of steps have been taken to better identify those who try to defraud the Canadian tax system without undermining the ease and user-friendliness of the GST/HST registration system.

The CCRA believes that addressing criminal behaviour should not mean that the GST/HST registration process be made tedious and difficult. New businesses do not need complicated registrations and greater administrative burdens that would have only limited advantages for the CCRA.

Although the CCRA has made it convenient to apply for a GST/HST account, persons who apply for GST/HST registration are aware that mandatory information is required and validated with a number of sources. An enhanced registration review process has also been put in place. This process includes increased checks shortly after the registration has been issued and allows the CCRA to verify that the business is legitimate.

The important steps in detecting fraud are our pre-payment screening and audit programs. When refunds are being claimed, the screening program pulls suspicious payments out of the system for a more detailed audit. The CCRA also has some 5,000 auditors who verify that the right amount of GST/HST is being paid.

The CCRA is committed to ensuring that everyone pays their fair share of taxes. Those who try to cheat will face the full force of the law. Please visit the CCRA Media Room Web site for information on prosecutions and seizures. <http://www.ccra-adrc.gc.ca/newsroom/menu-e.html>

## **File your GST/HST return electronically**

The CCRA now offers three methods to electronically file your GST/HST return: GST/HST TELEFILE, GST/HST-EDI, and our newest filing option, GST/HST NETFILE.

If you are filing a return with a nil balance or a refund of \$10,000 or less, you can do so quickly, easily and securely over the Internet with GST/HST NETFILE, or by using a touch-tone phone with GST/HST TELEFILE.

To determine if you are invited to use GST/HST NETFILE or GST/HST TELEFILE, simply look to see if an access code is printed on your personalized GST/HST return. If so, with the completed working copy of your return at hand, access our GST/HST NETFILE Web site ([www.ccra.gc.ca/gsthst-netfile](http://www.ccra.gc.ca/gsthst-netfile)), or call 1-800-959-2038 for GST/HST TELEFILE. At the end of your filing session, you will receive a confirmation number as proof that we've received your return.

GST/HST NETFILE and GST/HST TELEFILE are available Monday to Friday from 8:30 a.m. to 8:00 p.m., and Saturday from 8:30 a.m. to 5:00 p.m., local time. These services are not available on Sunday or on statutory holidays.

Our third electronic filing option, GST/HST-EDI, allows you to electronically file both your return and payment (if applicable) through a participating financial institution. To find out if your financial institution offers this service, contact your local branch or visit our GST/HST-EDI Web site at <http://www.ccra.gc.ca/eservices/gsthst-edi/products-e.html>.

For more information about filing your return using GST/HST NETFILE, GST/HST TELEFILE or GST/HST-EDI, visit our Web site at <http://www.ccra.gc.ca/tax/business/file-gst-hst-e.html>.



## **Reminder: *Get it in Writing!* Consumer Awareness Campaign**

The *Get it in Writing!* Campaign was launched February 25, 2003.

Both the government and industry want to reduce the level of underground activity in the residential construction sector. To this end, the Canadian Home Builders' Association (CHBA) in partnership with the CCRA, have developed the *Get it in Writing!* consumer awareness campaign, a two year, multi-faceted initiative.

The *Get it in Writing!* consumer campaign will focus on one key objective: to ensure that consumers are aware of the serious risks they face if they choose to hire a contractor without having a proper contract. The *Get it in Writing!* message is prudent consumer advice. It reinforces the value of hiring a professional contractor – someone who works with a contract and protects customers from unnecessary risks.

Underground operators also undermine the value of being a professional new homebuilder, renovator or trades contractor. The *Get it in Writing!* campaign will provide direct business benefits to CHBA members, will assist in leveling the playing field, and will help promote the fairness and integrity of the tax system.

Look for campaign information pamphlets in places such as a home show in your community, at major building materials retailers, federal agencies such as the Canadian Mortgage and Housing Corporation and the CCRA, certain provincial government agencies, and municipal building permit offices. As well, a wide array of information and advice for consumers, including links to other relevant government and industry Web sites is available at the official Web site: [www.HiringAContractor.com](http://www.HiringAContractor.com)

## **New Prescribed Rates of Interest**

The Notice of Ways and Means Motion tabled in conjunction with the federal budget of February 18, 2003 included proposed amendments to harmonize the interest and penalty provisions of the *Excise Act, 2001*, the non-GST/HST parts of the *Excise Tax Act*, and the *Income Tax Act*, effective July 1, 2003.

As a result, the prescribed annual interest rate in effect from July 1, 2003 to September 30, 2003, on amounts of income tax, excise tax and excise duty (except beer), payable to the Minister (arrears and instalment) is established at 8%. The prescribed interest rate on amounts owed by the Minister (refunds) is established at 6%. These rates compound daily.

The prescribed annual rate of interest respecting excise duty on beer accounts is set at 6% commencing July 1, 2003. Penalty compounds monthly and interest compounds daily.

The prescribed annual rate of interest with respect to the GST/HST and the Air Travellers Security Charge (ATSC), is set at 3.5707% commencing July 1, 2003. Interest and penalty compound daily.

Prescribed interest rates are adjusted every calendar quarter. These rates of interest are available on the CCRA Web site at: <http://www.ccra-adrc.gc.ca/E/pub/gi/prier---eq/>

The rates for the first three quarters of 2003 are summarized in the following tables.

**Table 1 - Prescribed Interest Rates Commencing July 1, 2003**

	GST/HST ATSC		Excise Duty (beer)		Income Tax, Excise Tax Excise Duty (wine, spirits, tobacco)	
	Interest	Penalty	Interest	Penalty	e n Interest	Arrears and Instalment Interest
2003						
July 1 - September 30	3.5707 %	6.0 %	6.0 %	6.0 %	6.0 %	8.0 %

**Table 2 - Prescribed Interest Rates Prior to July 1, 2003**

	GST/HST Excise Tax ATSC		Excise Duty (spirits, tobacco, beer)		Income Tax	
	Interest	Penalty	Interest	Penalty	Refund Interest	Arrears and Instalment Interest
2003						
April 1 - June 30	2.4066 %	6.0 %	5.0 %	6.0 %	5.0 %	7.0 %
January 1 - March 31	2.4333 %	6.0 %	5.0 %	6.0 %	5.0 %	7.0 %



## What's New in Publications

### GST/HST Technical Information Bulletins (<http://www.ccra-adrc.gc.ca/menu/EmenuKDA.html>)

B-091            Timing of the Application of the GST/HST to Prepaid Funeral Arrangements

### GST/HST Guides (<http://www.ccra-adrc.gc.ca/menu/EmenuHDC.html>)

RC4022           General Information for GST/HST Registrants

RC4031           Tax Refund for Visitors to Canada

RC4058           Quick Method of Accounting for GST/HST

### Forms (<http://www.ccra-adrc.gc.ca/menu/EmenuHDE.html>)

GST74           Election and Revocation of an Election to Use the Quick Method of Accounting

GST176           Application for Visitor Tax Refund

GST21           Election or Revocation of an Election to Have the Joint Venture Operator Account for GST/HST

GST355           Streamlined Election or Revocation of an Election to Have the Joint Venture Operator Account for GST/HST

### Excise Act, 2001 Bulletins (<http://www.ccra-adrc.gc.ca/menu/EmenuKXC.html>)

Highlights for Spirits Producers and Packagers - A-1

Highlights for Wine Producers and Packagers - A-2

Highlights for Ferment-on-Premises Facilities - A-3

Highlights for Chemical Stills Dealers, Licensees, and Registrants - A-4

Highlights for Tobacco Growers - B-1

Highlights for Tobacco Packers and Cigar and Tobacco Manufacturers - B-2

Highlights for Duty Free Shops - B-3

Highlights for Institutions (Educational, Medicinal, Scientific and Research) C-1

Highlights for Bonded Manufacturers and Pharmacists - C-2

Highlights for Users of Specially Denatured Alcohol - C-3

Highlights for Transporters of Non-Duty-Paid Alcohol and Tobacco - D-1

Highlights for Excise Warehouses - D-2

### Excise Duty Memoranda Series (<http://www.ccra-adrc.gc.ca/menu/EmenuKXD.html>)

EDM 2.1.1.       Licence Types

EDM 2.2.1       Obtaining and Renewing a Licence

EDM 2.2.2       Security Requirements for Licensees

EDM 2.2.3       Surety Bonds

EDM 2.2.4       Approved Financial Institutions and Acceptable Bonding Companies

EDM 2.3.1       Registration Types

EDM 2.4.1       Obtaining a Registration

Current publications can be found on the CCRA Web site at the following address: [www.ccra-adrc.gc.ca/tax/business/gsthst/menu-e.html](http://www.ccra-adrc.gc.ca/tax/business/gsthst/menu-e.html) .

## **GST/HST Enquiries**

To make enquiries regarding your GST/HST account call Business Enquiries at  
1-800-959-5525

To make enquiries regarding the status of specific GST/HST domestic rebate claims call  
1-800-565-9353

To make enquiries regarding the status of visitor rebate claims call  
1-800-668-4748

To obtain copies of forms and publications call  
1-800-959-2221





# GST/HST News

No. 50

Fall 2003

## Table of Contents

Bill C-28 .....	1
Meal Replacements and Nutritional Supplements.....	2
GST/HST New Housing Rebates .....	2
Supplies by Auctioneers.....	3
Designation Process for Barter Exchange Networks.....	4
Excise Act, 2001.....	6
GST/HST Online Registration through the Ministère du Revenu du Québec Web site: .....	7
What's New in Publications .....	7
New Prescribed Rates of Interest.....	8
GST/HST Enquiries.....	8

## Bill C-28

Bill C-28, the *Budget Implementation Act, 2003*, received Royal Assent on June 19, 2003.

The Bill enacts the *First Nations Goods and Services Tax Act* and implements a number of measures under the *Excise Tax Act* and the *Excise Act, 2001* that were announced in the budget such as:

- provisions to reduce the air travellers security charge for domestic flights;
- provisions to ensure that the supply by a school authority of the service of transporting elementary or secondary school students to or from a school operated by a school authority continues to be treated as an exempt supply;
- provisions to clarify that purchases by municipalities or governments of contracted municipal services (where the recipient of the supply is the municipality or government, rather than the municipal residents), continue to be taxable;
- provisions to clarify fuel tax refund claims;
- provisions to harmonize interest, penalty and related administrative provisions of the non-GST/HST part of the *Excise Tax Act*, the *Excise Act, 2001* and the *Income Tax Act* as part of the CCRA Standardized Accounting initiative;
- tobacco tax and duty increases; and
- removal of tax on bio-diesel and ethanol-diesel fuel.

**More Ways to Serve You!**  
**Pour vous servir encore mieux!**

La version française de ce bulletin est intitulée *Nouvelles de la TPS/TVH*.



Canada Customs  
and Revenue Agency

Agence des douanes  
et du revenu du Canada

**Canada**

## Meal Replacements and Nutritional Supplements

Meal replacements and nutritional supplements are zero-rated as outlined in paragraph 20 of GST/HST Memorandum 4.3, *Basic Groceries* and in Policy Statement P-240, *Application of GST/HST to Products Commonly Described as "Dietary Supplements"*.

With respect to requests for rulings on such products, if a product is represented as being a meal replacement or nutritional supplement as evidenced by the label, the CCRA will accept this information as fact in determining its tax status.

However, after a ruling has been issued, if it is determined that a product is in fact not a meal replacement or a nutritional supplement, the ruling will not be valid in accordance with paragraph 16 of GST/HST Memorandum 1.4, *Goods and Services Tax Rulings*.

## GST/HST New Housing Rebates

A GST/HST new housing rebate is available to an individual who purchases a new or substantially renovated single-unit residential complex or residential condominium unit from a builder.

To qualify for the rebate, the complex or unit must be used as the primary place of residence of the individual or, a relation of the individual, including a former spouse or common-law partner of the individual, and the total GST-excluded purchase price of the complex or unit must be less than \$450,000.

The rebate is also available, under certain conditions, to an individual who purchases a single-unit residential complex or a residential condominium unit from a builder on leased land, where the fair market value of the complex or unit is less than \$481,500.

In addition to the primary residence and the purchase price requirements set out above, tax in respect of the sale must be paid by the individual and ownership of the complex or unit must transfer to the individual after construction or substantial renovation is substantially completed. No one can occupy the premises as a place of residence or lodging between the time construction or substantial renovation is substantially completed and the time possession is transferred to the individual. The individual or relation must also be the first person to occupy the unit as a place of residence after construction or substantial renovation is substantially completed. Finally, the rebate application must be filed in the proper form and within the required timeframes.

### Claiming the Rebate:

Where an individual is purchasing a new or substantially renovated single-unit residential complex or residential condominium unit from a builder, the individual has the option of claiming the rebate directly with the CCRA or, where the builder has paid or credited the rebate to the individual, have the builder file the rebate application form.

If the individual claims the rebate, the individual has to file the application form for the rebate (GST190, *GST/HST New Housing Rebate Application*) with the CCRA within two years after the day ownership of the complex or unit is transferred to the individual (for purchases of a complex or unit), or within two years after the day possession of the complex or unit is transferred to the individual (for purchases of a complex or unit on leased land).



If the individual is paid or credited the amount of the rebate by the builder, which reduces the amount owing by the purchaser to the builder on the acquisition of the complex, the individual must submit a completed GST/HST New Housing Rebate Application form to the builder within two years after the day ownership of the complex or unit is transferred to the individual (for purchases of a complex or unit), or within two years after the day possession of the complex or unit is transferred to the individual (for purchases of a complex or unit on leased land). The builder is required to submit the application to CCRA along with the GST/HST return for the reporting period in which the rebate was paid or credited to the individual. The builder is also required, in section D of the rebate form, to indicate the reporting period covered by the GST/HST return.

#### Filing the Return:

The amount of the rebate is to be claimed by the builder as an input tax credit (ITC) adjustment on Line 107 of the GST/HST return in the period in which the rebate was paid or credited to the individual. As pointed out above, the GST/HST New Housing Rebate Application form **must** accompany the particular GST/HST return on which the ITC adjustment is being made.

If more than one ITC adjustment is being made on Line 107 of the GST/HST return as a result of more than one new housing rebate being filed by the builder in a particular reporting period, each GST/HST New Housing Rebate Application form for which an ITC adjustment is being made **must** accompany the GST/HST return for that period.

#### Failure to Comply:

Builders please note that failure to file the GST/HST New Housing Rebate Application form(s) with the accompanying GST/HST return may result in a penalty of \$100 for each failure to file. As well, the deduction taken at line 107 may be disallowed and penalty and interest applied on the difference between the net tax owing before taking the rebate amount(s) into account and the amount actually remitted.

For further information concerning this rebate, please see our guide RC 4028, GST/HST New Housing Rebate. For telephone enquiries please contact Business Enquiries at 1-800-959-5525.

## **Supplies by Auctioneers**

The *Excise Tax Act* provides rules regarding the application of the GST/HST to supplies of tangible personal property (TPP) by auctioneers. These rules apply in situations where a registrant (i.e., the auctioneer), acting as auctioneer and agent for another person (i.e., the principal) in the course of a commercial activity of the auctioneer, makes a supply by auction of TPP on behalf of the principal.

Under these circumstances, the auctioneer is deemed not to have made a supply to the principal of services relating to the supply of the TPP to the recipient. (Please note that this rule does not apply where the TPP supplied by the auctioneer is received from a non-registered non-resident person.)



In determining whether a service provided to the principal is relating to the supply of the TPP to the recipient, the CCRA will consider the following:

- The object of the service must be with respect to the supply of the TPP to the recipient, and not merely with respect to the TPP itself.
  - For example, restoration or repair services would be considered to be relating to the TPP and not to the supply of the TPP to the recipient (i.e., the auction). However, minimal services required to prepare the TPP for auction, such as pre-sale cleaning, would be considered as related to the supply of the TPP to the recipient.

AND

- The relationship between the supply of the service and the supply of the TPP to the recipient must be direct. This relationship is a question of fact and is determined on a case by case basis. However, the fact that the service is typically provided or offered at auctions of that type of property or at auctions in general, may indicate that the supply of the service is directly related to the supply of the TPP to the recipient.
  - For example, an auctioneer conducts a sale of bred cows and provides a service of pregnancy testing in connection with that sale. Generally, pregnancy testing services are not provided or offered at general cattle sales; however, such tests are typical of services provided or offered at bred cow sales. The supply of the pregnancy testing service is considered to be directly related to the supply of the TPP to the recipient and not subject to the GST.

The following services supplied by an auctioneer are typically considered as services provided to the principal relating to the supply of the TPP to the recipient, and are generally not subject to the GST/HST:

- advertising services;
- appraisals;
- auctioneer's services (e.g., calling the auction, providing a facility);
- illustration of items to be auctioned for advertising or display purposes (catalogue, on a screen, etc.); and
- short-term storage services.

Services rendered to the recipient (e.g., services for which a buyer's premium is collected) and repair and restoration work are not considered services provided to the principal relating to the supply of the TPP to the recipient and are generally subject to the GST/HST.

For further information on supplies by auctioneers please refer to the GST/HST Memorandum 3.1, *Liability for Tax*, under the subtitle Agents and Auctioneers.

## **Designation Process for Barter Exchange Networks**

The *Excise Tax Act* (the Act) provides for the designation of barter exchange networks and the GST/HST treatment of transactions involving the provision of barter units.

A barter exchange network is a group of persons who have agreed, in writing, to accept credits (referred to as barter units) on accounts of the group members, in exchange for property or services traded among the members. The administrator of a barter exchange network is the person who is responsible for administering, maintaining, or operating a system of members' accounts under which barter units may be credited as full or partial consideration for supplies of property or services between members of a group.

Subsection 181.3(5) of the Act relieves members of designated barter exchange networks from paying GST/HST on barter units accepted in exchange for their supplies of property or services. The members, if registrants, must charge tax on their taxable supplies of property or services provided for barter units. The tax on such property or services is calculated on the exchange value of the barter units accepted as consideration.

For example, Mr. Brown and Mr. Smith are registrants and members of a designated barter exchange network. Mr. Brown provides professional legal services to Mr. Smith in exchange for barter units having a value of \$100. Mr. Brown charges tax on the supply of legal services, calculated on \$100, whereas Mr. Smith does not charge tax on the provision of the barter units.

If the barter exchange network is not designated, tax would generally be payable on the supply of the barter units themselves, when supplied by a registrant.

#### Applying for Designation

The administrator of a barter exchange network must apply to the CCRA to have the network designated for the purposes of the Act to relieve members' transactions involving barter units from the GST/HST.

An application could be approved with an effective date retroactive to October 20, 2000 (the date of Royal Assent of the barter exchange network provisions of the Act), if requested, provided that the barter exchange network has been operating since that date.

If the effective date of designation of the barter exchange network was on or after October 20, 2000, section 181.3 would apply to a supply of a barter unit, by a member of the network or the administrator, from that date forward. Section 181.3 would also apply to a supply of a barter unit at any earlier time, provided that no amount as or on account of tax was actually collected on that supply of the barter unit.

#### Procedure for Designation

A letter applying for designation is required, signed by the administrator (or an authorized individual), containing the following information:

- (a) the name of the barter exchange network;
- (b) the name, address, telephone number, trading name and CCRA Business Number of the administrator of the barter exchange network;
- (c) the effective date requested (cannot be earlier than the later of the date of establishment of the barter exchange network and October 20, 2000);
- (d) a copy of the standard membership agreement of the barter exchange network describing the responsibilities of the members and the administrator;
- (e) a statement from the applicant stating that it meets the definition of "administrator" of a barter exchange network in subsection 181.3(1); and
- (f) a statement from the applicant that certifies that the information given in the application, and any document attached, is true, correct and complete, signed by the administrator or an individual authorized to sign on behalf of the administrator.

Administrators located outside the Province of Quebec should submit their requests for designation to:

Director, Public Service Bodies and Governments, Excise and GST/HST Rulings Directorate  
Policy and Legislation Branch, Canada Customs and Revenue Agency  
14<sup>th</sup> Floor, Place de Ville, Tower A, 320 Queen Street  
Ottawa, Ontario K1A 0L5

Administrators located in the Province of Quebec should submit their requests for designation to the Ministère du revenu du Québec (MRQ), since the MRQ administers the GST/HST in the Province of Quebec on behalf of the federal government. Requests should be submitted to:

Directeur, Direction des lois sur les taxes, le recouvrement et l'administration  
Ministère du revenu du Québec, 3800, rue de Marly  
Sainte-Foy (Québec) G1X 4A5

## **Excise Act, 2001**

The administrative infrastructure for the *Excise Act, 2001* was successfully implemented on July 1, 2003.

Throughout the legislative, regulatory and implementation processes, consultations have been held with industry associations and members, provincial liquor boards, federal and provincial agencies, and other stakeholders. The new Act provides a modern framework for the taxation of spirits, wine and tobacco and includes new administrative provisions for payment, assessment and appeals, updated enforcement provisions and more comprehensive licensing requirements. The new excise framework provides the tools needed to protect government revenues and deal more effectively with smuggling and other non-compliant activities.

Training courses, memoranda, registration forms, returns, information bulletins, delegations and policy, as well as procedures for activities such as licensing, were developed to support implementation activity. Policy development will of course continue for the ongoing delivery of the Excise Duty program. As well, Finance Canada released draft legislation in June 2003 to implement a number of technical amendments to the *Excise Act, 2001* and other related legislation. The draft legislation contains mainly minor refinements to existing provisions to more accurately reflect certain administrative and compliance practices that existed under the previous excise framework, as well as certain consequential amendments to other legislation.

Technical publications are available on the Excise Duty web site: <http://www.ccr-aadrc.gc.ca/tax/technical/act2001-c.html>



## **GST/HST Online Registration through the Ministère du Revenu du Québec Web site:**

Until now, clients with a business mailing address in Québec who tried to use the Business Registration Online (BRO) system to register for GST/HST, were asked to contact the Ministère du Revenu du Québec to proceed with the registration. In the fall of 2003, BRO will provide its clients the option to be forwarded to an MRQ Web site where they can proceed with GST/HST registration.

The Ministère du Revenu du Québec offers its clients, via its Internet site, the option of registering for GST/HST as well as various Ministère du Revenu du Québec programs.

BRO is a one-stop on-line service which lets you register to obtain a Business Number, open various business accounts for CCRA programs such as GST/HST, import/export and payroll deductions, and register or apply for certain programs offered by the Government of Nova Scotia, the Workers' Compensation Board of Nova Scotia, the Government of Ontario and the Government of New Brunswick.

For more information on Business Registration Online, please go to the Web site at:  
[www.businessregistration.gc.ca](http://www.businessregistration.gc.ca)

## **What's New in Publications**

### **Excise Duty Memoranda Series**

EDM3.1.3	Registered Users
EDM4.1.1	Producers and Packagers of Wine
EDM 7.1.1	Manufacturers of Tobacco Products
EDM 7.1.2	Tobacco Dealers
EDM 7.1.4	Duty Free Shop Operators
EDM 8.1.1	Excise Warehouses
EDM 10.1.1	Returns and Payments
EDM 10.1.2	Completing an Excise Duty Return – Duty Free Shop
EDM 10.1.3	Completing an Excise Duty Return – Excise Warehouse Licensee
EDM 10.1.4	Completing an Excise Duty Return – Licensed User
EDM 10.1.5	Completing an Excise Duty Return – Special Excise Warehouse Licensee
EDM 10.1.6	Completing an Excise Duty Return – Wine Licensee
EDM 10.1.7	Completing an Excise Duty Return – Spirits Licensee
EDM 10.1.8	Completing an Excise Duty Return – Tobacco Licensee
EDM 10.1.9	Completing an Excise Duty Return – Tobacco Dealer

Current GST/HST and Excise Duty publications can be found on the CCRA Web site.

## New Prescribed Rates of Interest

The prescribed annual interest rate in effect from October 1, 2003 to December 31, 2003, on amounts of income tax, excise tax and excise duty (except on beer), payable to the Minister (arrears and instalment) is established at 7%. The prescribed interest rate on amounts owed by the Minister (refunds) is established at 5%. These rates compound daily.

The prescribed annual rate of interest respecting excise duty on beer accounts is set at 5% commencing October 1, 2003. Penalty compounds monthly and interest compounds daily.

The prescribed annual rate of interest with respect to the GST/HST and the Air Travellers Security Charge (ATSC), is set at 2.3804% commencing October 1, 2003. Interest and penalty compound daily.

Prescribed interest rates are adjusted every calendar quarter. The rates of interest for previous periods are available on the CCRA Web site.

	GST/HST ATSC		Excise Duty (beer)		Income Tax, Excise Tax Excise Duty (wine, spirits, tobacco)	
	Interest	Penalty	Interest	Penalty	Refund Interest	Arrears and Instalment Interest
<b>2003</b>						
July 1 - September 30	3.5707 %	6.0 %	6.0 %	6.0 %	6.0 %	8.0 %
October 1 – December 31	2.3804 %	6.0 %	5.0 %	6.0 %	5.0 %	7.0 %

## GST/HST Enquiries

To make enquiries regarding your GST/HST account call Business Enquiries at 1-800-959-5525

To make enquiries regarding the status of specific GST/HST domestic rebate claims call 1-800-565-9353

To make enquiries regarding the status of visitor rebate claims call 1-800-668-4748

To obtain copies of forms and publications call 1-800-959-2221

If you are in the Province of Québec, please call the following toll-free number:

1-800-567-4692 (Ministère du Revenu du Québec)

The *GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), as well as excise taxes and duties. This publication is provided for information purposes only and does not replace the law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Canada Customs and Revenue Agency (CCRA) tax services office or call Business Enquiries at 1-800-959-5525. Comments or suggestions about the newsletter should be sent to the Editor, *GST/HST News*, Policy and Legislation Branch, CCRA, Ottawa, Ontario K1A 0L5. ISSN 1183-689X



# GST/HST News

No. 51

Winter 2003-2004

## Table of Contents

Changes to the <i>GST/HST News</i> .....	1
Notice of Ways and Means Motion.....	2
Components of agricultural equipment.....	3
Why wait at the border – get a NEXUS card.....	4
Claiming input tax credits in the correct GST/HST return.....	4
Update on Yukon First Nations and Yukon Indians.....	5
File your GST/HST return electronically!.....	5
What's new in publications.....	6
Prescribed rates of interest.....	6
GST/HST Enquiries.....	7

## Changes to the *GST/HST News*

As a result of cost-saving initiatives by the Canada Customs and Revenue Agency (CCRA) and the increasing use of electronic media, we are changing the way we publish the *GST/HST News*. We will no longer publish our annual paper version of the newsletter at the end of each calendar year, but will publish it electronically each calendar quarter (Spring, Summer, Fall and Winter). The newsletter will be available on the CCRA web site at [www.ccra.gc.ca/gsthstnews](http://www.ccra.gc.ca/gsthstnews).

You may subscribe free of charge to an online mailing list for this newsletter to be notified electronically every quarter when it is published, and to be provided with a link to the most current edition. To join the mailing list, you must provide your email address and you will be asked to read the CCRA privacy statement before you confirm your request. To find out more about the CCRA mailing list and to subscribe to the *GST/HST News*, please go to this CCRA Internet address: [www.ccra.gc.ca/gsthstnews](http://www.ccra.gc.ca/gsthstnews).

**More Ways to Serve You!**  
**Pour vous servir encore mieux!**

La version française de ce bulletin est intitulée  
*Nouvelles de la TPS/TVH.*



Canada Customs  
and Revenue Agency

Agence des douanes  
et du revenu du Canada

Canada



## Notice of Ways and Means Motion

A Notice of Ways and Means Motion to amend the *Excise Tax Act* was tabled in the House of Commons on October 3, 2003. The GST/HST measures proposed in this Notice introduce a new exemption, improve the application of the GST/HST and ensure the intended application of existing legislative provisions. The proposed legislation includes changes in the following areas:

**Social workers' services:** To exempt the services provided by social workers of counselling an individual with a physical or mental disorder and the family members or guardians in coping with the individual's disorder.

### Import arrangements for goods supplied outside Canada:

- To set out new rules to ensure that, in circumstances where a person is the recipient of a supply made outside Canada of goods that are imported into Canada for that person's consumption, use or re-supply, but another person effects the physical importation of the goods, the recipient of the imported goods is in a position to claim an input tax credit or rebate that may be available in the circumstances, provided the recipient obtains the necessary documentation to substantiate the claim.
- To give the recipient and the supplier of imported goods an option in certain cases to agree at any time to have the supply to the recipient deemed to have been made in Canada and to enable the supplier to claim an input tax credit for the GST/HST payable on the importation. The supplier would collect tax from the recipient, who would in turn be eligible for a corresponding input tax credit or rebate. The agreement must be in prescribed form and contain prescribed information and the CCRA is developing a form for this purpose. Until this form becomes available, a supplier and a recipient may make an agreement in accordance with this provision by keeping on file a jointly signed and dated document identifying the goods covered by the agreement stating that the parties have agreed to have the provision apply to the supply and importation of these goods.
- To make available a second option where the recipient of the imported goods and the supplier do not agree to treat the supply of the goods as if it had been made available in Canada as described above. In this case, in the circumstances to which one of the specified tax-relieving provisions relating to importations of goods applies, the recipient and the person who was identified, for purposes of the *Customs Act*, as the importer of the goods when the goods were accounted for under the *Customs Act* (and who pays an amount as or account of tax on the imported goods) can agree to have the person claim any tax rebate, abatement or refund instead of the recipient having to do so.

The proposed provision described above applies to goods imported on or after October 3, 2003, and to goods imported before that day that were not accounted for under the *Customs Act* before that day.

**Miscellaneous amendments to import provisions:** To update the provisions in the *Excise Tax Act* that deal with the GST/HST imposed on imported goods to reflect previous amendments made to related or cross-referenced provisions of the *Customs Act*. These amendments are generally retroactive to January 1, 1998, which is the date the related changes to the *Customs Act* came into force.

**Provincial gaming authorities:** To refine the special rules set out in the *Games of Chance (GST/HST) Regulations* for determining GST/HST remittances by provincial gaming authorities.

**Multi-employer pension plans:** To change the definition of "multi-employer plan" in the *Excise Tax Act* to include all registered pension plans that have more than one participating employer. As a result, trusts governed by related-employer pension plans would be eligible for the partial rebate of the GST/HST

incurred by a trust governed by a multi-employer pension plan. The definition of multi-employer plan in subsection 261.01(1) continues to exclude plans in which listed financial institutions made 10% or more of the employer contributions in the preceding calendar year. A special transitional rule is proposed so that trusts for related-employer pension plans can claim the rebate in respect of all GST/HST payable since 1998.

**Goods supplied by charities together with real property:** To ensure that the exemption for goods that a charity supplies together with exempt supplies of real property under short-term leases and licences applies as it was intended. The amendment extends the exemption to goods that have been acquired, manufactured or produced by the charity for the purpose of being supplied with such real property (e.g., audio-visual equipment rented with a meeting room). This amendment applies retroactively to January 1, 1997. However, the application of the amendment will not apply where the charity has treated the supply of the goods as taxable and charged or collected tax on that supply. To ensure that the enactment of the exemption does not trigger any change-in-use liability for the charity, a special transitional rule is provided.

**Ministerial discretion to accept a late-filed accounting election between closely related financial institutions:** To give the Minister discretion to accept an election between a selected listed financial institution and a closely related supplier to use a cost-based method for determining the value of certain supplies made between them for purposes of the financial institution's net tax calculation under the HST to be filed on such a later day as the Minister may allow.

A copy of the News Release, the Notice of Ways and Means Motion, the explanatory notes to the Notice and other related technical information can be found on the Department of Finance web site at [www.fin.gc.ca](http://www.fin.gc.ca) under "News Releases and Speeches".

## Components of agricultural equipment

The *Agriculture and Fishing Property (GST/HST) Regulations* list agricultural and fishing equipment that is zero-rated when it is supplied by way of sale. Parts, components and accessories for zero-rated agricultural and fishing equipment are taxable at 7% or 15% when supplied separately unless they are specifically listed in the Regulations. For example, both automated and computerized farm livestock or poultry feeding systems, and all of the individual components of such systems when supplied together, are zero-rated.

When an accessory that would be taxable at 7% or 15% if supplied separately is supplied with zero-rated agricultural or fishing equipment, the supply of the accessory will be zero-rated if it is attached to the equipment and forms part of the unit. Any accessory sold must already be installed at the time of sale to be zero-rated as part of the unit.

Where one or more parts or components of zero-rated agricultural or fishing equipment are supplied, **that by themselves are not zero-rated agricultural or fishing equipment**, the supply is taxable at 7% or 15%. Only the complete unit of agricultural and fishing equipment is zero-rated.

For a complete listing of zero-rated agricultural or fishing equipment, please refer to GST/HST Memorandum 4.4, *Agriculture and Fishing*.



## Why wait at the border – get a NEXUS card

NEXUS is a joint Canada-US dedicated commuter lane program that will allow low-risk, pre-approved travellers a simplified entry process into both Canada and the United States. For more information on the NEXUS Program, visit the NEXUS web site or call 1-866 NEXUS26 (1-866-639-8726).

### Why wait at the border!



Get a NEXUS card. Find out how at [ccra.gc.ca](http://ccra.gc.ca)  
or call 1-866-NEXUS26 (639-8726)



Government  
of Canada

Gouvernement  
du Canada



United States  
of America

## Claiming input tax credits in the correct GST/HST return

A person who is entitled to claim an input tax credit (ITC) for tax that becomes payable or is paid without having become payable during a particular reporting period may claim that ITC in the GST/HST return that is filed for that particular reporting period, or in a return filed for a subsequent period subject to the time limit for claiming ITCs. The ITC cannot be claimed in a return for an earlier reporting period. Furthermore, a return for a particular reporting period cannot be filed before the end of that reporting period.

For example, a registrant with a monthly reporting period pays \$1,000 GST on October 13, 2003, and \$2,000 GST on November 6, 2003, on purchases for which the registrant is entitled to claim ITCs. For both purchases, the tax became payable on those days. At the end of November, in calculating the net tax for the reporting period of October 1 to October 31, 2003, the registrant may claim the ITC of \$1,000 in the GST/HST return filed for that period. The registrant is not entitled to claim the ITC of \$2,000 in the GST/HST return filed at the end of November for the reporting period of October 1 to October 31, 2003. The ITC of \$2,000 may be claimed in the GST/HST return filed for the reporting period of November 1 to November 30, 2003, (and not in the earlier return). The return for the reporting period of November 1 to November 30, 2003, cannot be filed before December 1, 2003.



## Update on Yukon First Nations and Yukon Indians

On October 18, 2003, representatives of the Kluane First Nation, the Government of Yukon and the Government of Canada signed the Kluane First Nation Final and Self-Government Agreements. These agreements are expected to come into effect in February 2004 by Order-in-Council.

Once these agreements are in effect, the Kluane First Nation and its Indian members will no longer be able to acquire goods or services relieved of tax unless the Indian members reside outside the Yukon. Information on when members not covered by the agreements qualify for relief is set out in Technical Information Bulletin B-039R, *GST Administrative Policy – Application of GST to Indians*.

The Kluane First Nation is the ninth of fourteen Yukon First Nations to enter into Final and Self-Government Agreements. For information on which Yukon First Nations have finalized their agreements and who has yet to finalize its agreement, refer to Notice 143R, *Application of GST/HST to Yukon First Nations and Yukon First Indians*.

## File your GST/HST return electronically!

The CCRA now offers three methods to file GST/HST returns electronically: GST/HST TELEFILE, GST/HST-EDI, and our newest filing option, GST/HST NETFILE.

If you are filing a return with a nil balance or a refund of \$10,000 or less, you can do so quickly, easily and securely over the Internet with GST/HST NETFILE, or by using a touch-tone phone with GST/HST TELEFILE.

It's easy! To determine if you are invited to use GST/HST NETFILE or GST/HST TELEFILE, simply look to see if an access code is printed on your personalized GST/HST return. If so, with the completed working copy of your return at hand, access our GST/HST NETFILE web site at [www.ccra.gc.ca/gsthst-netfile](http://www.ccra.gc.ca/gsthst-netfile), or call 1-800-959-2038 for GST/HST TELEFILE. At the end of your filing session, you will receive a confirmation number as proof that we have received your return.

GST/HST NETFILE and GST/HST TELEFILE are available Monday to Friday from 8:30 a.m. to 8:00 p.m., and Saturday from 8:30 a.m. to 5:00 p.m., local time. These services are not available on Sundays or statutory holidays.

Our third electronic filing option, GST/HST-EDI, allows you to file electronically both your return and remittance (if applicable) through a participating financial institution. To find out if your financial institution offers this service, contact your local branch or visit our GST/HST-EDI web site at [www.ccra.gc.ca/eservices/gsthst-edi/products-e.html](http://www.ccra.gc.ca/eservices/gsthst-edi/products-e.html).

For more information about filing your return using GST/HST NETFILE, GST/HST TELEFILE or GST/HST-EDI, visit our web site at [www.ccra.gc.ca/tax/business/file-gst-hst-e.html](http://www.ccra.gc.ca/tax/business/file-gst-hst-e.html).

## What's new in publications

### GST/HST Guides

RC4103	GST/HST Information for Suppliers of Publications
RC4117	Tax Refund for Business Travel in Canada

### GST/HST Forms

GST25	Closely Related Corporations and Canadian Partnerships – Election or Revocation of the Election to Treat Certain Taxable Supplies as Having Been Made for Nil Consideration
GST506	Election and Revocation of an Election Between Agent and Principal
GST510	Application for Business Travel Tax Refund

### Excise Duty Memoranda Series

EDM 2.2.3	Surety Bonds – Completion Instructions for the Excise Bond
EDM 3.1.2	Licensed Users
EDM 3.1.4	Alcohol Registrants
EDM 4.1.3	Ferment-on-Premises Registrants
EDM 8.1.2	Special Excise Warehouses
EDM 9.1.1	General Requirements for Books and Records
EDM 10.3.1	Refunds

Current GST/HST and Excise Duty publications can be found on the CCRA web site.

## Prescribed rates of interest

The prescribed annual rate of interest in effect from January 1, 2004, to March 31, 2004 with respect to the GST/HST and the Air Travellers Security Charge (ATSC) is set at 2.4132% commencing January 1, 2004. Interest and penalty compound daily.

The prescribed annual rate of interest on amounts of income tax, excise tax and excise duty (except excise duty on beer) payable to the Minister (i.e., arrears and instalment payments) is established at 7%. The prescribed interest rate on amounts owed by the Minister (i.e., refunds) is established at 5%. These rates compound daily.

The prescribed annual rate of interest respecting excise duty on beer accounts is set at 5% commencing January 1, 2004. Penalty compounds monthly and interest compounds daily.

Prescribed interest rates are adjusted every calendar quarter. The rates of interest for previous periods are available on the CCRA web site.



Period	GST/HST ATSC		Income Tax, Excise Tax, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)	
	Interest	Penalty	Refund Interest	Arrears and Instalment Interest	Interest	Penalty
<b>2003</b>						
July 1 – September 30	3.5707 %	6.0 %	6.0 %	8.0 %	6.0 %	6.0 %
October 1 – December 31	2.3804 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %
<b>2004</b>						
January 1 – March 31	2.4132 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %

### GST/HST Enquiries

To make enquiries regarding your GST/HST account, call Business Enquiries at 1-800-959-5525.

To make enquiries regarding the status of specific GST/HST domestic rebate claims, call 1-800-565-9353.

To make enquiries regarding the status of visitor rebate claims, call 1-800-668-4748.

To obtain copies of forms and publications, call 1-800-959-2221.

If you are in the Province of Québec, please contact the Ministère du Revenu du Québec by calling the toll-free number 1-800-567-4692.

The *GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), as well as excise taxes and duties. This publication is provided for information purposes only and does not replace the law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Canada Customs and Revenue Agency (CCRA) tax services office or call Business Enquiries at 1-800-959-5525. Comments or suggestions about the newsletter should be sent to the Editor, *GST/HST News*, Policy and Legislation Branch, CCRA, Ottawa, Ontario K1A 0L5.

ISSN 1183-689X





# GST/HST News

No. 52

Spring 2004

## Table of Contents

New name for the Canada Customs and Revenue Agency .....	1
100% GST rebate for municipalities .....	2
GST/HST rulings and interpretations service.....	2
Auditing for GST net tax – It's a matter of fairness.....	3
Public service bodies and taxable supplies.....	4
The <i>Get it in Writing!</i> consumer awareness campaign is one year old .....	4
Important reminder for GST/HST annual filers about their return and payment due dates .....	5
Yukon - Kluane First Nation .....	5
Exports of alcohol and tobacco products using form B60.....	5
The wine corner.....	6
What's new in publications .....	6
Prescribed rates of interest.....	7
GST/HST Enquiries .....	7

## New name for the Canada Customs and Revenue Agency

On December 12, 2003, the Prime Minister announced the creation of the Canada Border Services Agency (CBSA) which will be part of the Department of Public Safety and Emergency Preparedness. The creation of the CBSA resulted in the transfer of the Customs Branch and other elements of the Canada Customs and Revenue Agency (CCRA) to this new agency and means that the current name of the CCRA no longer reflects reality. As a result of this change, the name of the CCRA will change to the Canada Revenue Agency to more accurately reflect its current role. Until this name change is modified by an act of Parliament, the name "Canada Customs and Revenue Agency" remains the legal name of the Agency. However, the name and acronym "Canada Revenue Agency (CRA)" will be used in correspondence, forms and publications.

**More Ways to Serve You!**  
**Pour vous servir encore mieux!**

La version française de ce bulletin est intitulée *Nouvelles de la TPS/TVH*.



Canada Revenue  
Agency

Agence du revenu  
du Canada

**Canada**

## 100% GST rebate for municipalities

On February 3, 2004, the Minister of Finance confirmed that municipalities will be eligible for a 100% rebate of the GST and the federal portion of the HST. The 100% rebate will apply to goods and services acquired by municipalities in respect of which tax became payable or is paid without having become payable, after January 31, 2004.

The municipal entities that are eligible to claim the 100% rebate include:

- municipal bodies (e.g., cities, towns or villages);
- entities determined by the Minister of National Revenue to be municipalities; and
- entities designated by the Minister of National Revenue to be municipalities in respect of certain activities that involve the making of supplies of municipal services.

On March 9, 2004, the Minister of Finance tabled a Notice of Ways and Means Motion proposing amendments to the *Excise Tax Act* to implement the 100% rebate as well as consequential amendments to facilitate an equitable transition to the full rebate.

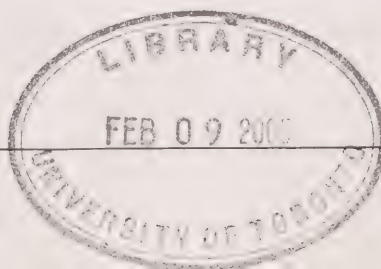
Under the proposed amendments, most supplies made by municipalities will continue to be exempt. However, to ensure that the benefit of the rebate is limited to the municipal entities, it is proposed that certain supplies of property and services by municipal entities become taxable. As a consequence, sales of most real property and capital personal property by municipalities will become taxable. In addition, the exemption for supplies of goods or services made for less than direct cost will not apply to municipal entities.

An amendment is also being proposed to allow for the disclosure of the incremental value of the rebate paid to each municipal entity.

A copy of the Notice of Ways and Means Motion is available on the Department of Finance Canada web site at <http://www.fin.gc.ca/news04/04-018e.html>.

## GST/HST rulings and interpretations service

Registrants and other interested parties may request a ruling or interpretation on how the GST/HST applies to their operations or transactions in which they are involved. The purpose of the GST/HST rulings and interpretations service is to give registrants and other interested parties as much certainty as possible about the GST/HST consequences of their transactions or proposed transactions by providing them with guidance in applying the GST/HST provisions of the *Excise Tax Act*. This service is available through the GST/HST rulings centres located across Canada and is available free of charge. The addresses and phone numbers of these rulings centres are contained in GST/HST Memorandum 1.2, *Canada Revenue Agency GST/HST Rulings Centres* (<http://www.ccra-adrc.gc.ca/E/pub/gm/1-2/README.html>). If you are in the Province of Quebec, call the Ministère du Revenu du Québec toll-free at 1-800- 567-4692. For more information on GST/HST rulings and interpretations, refer to GST/HST Memorandum 1.4, *Goods and Services Tax Rulings* (<http://www.ccra-adrc.gc.ca/E/pub/gm/1-4/README.html>).





## Auditing for GST net tax – It's a matter of fairness

The “audit to net tax” principle ensures that the entitlements and obligations of a GST/HST registrant under audit are given proper consideration. After all, it's a matter of fairness.

Generally, a registrant has a four-year time limit (two years in the case of a specified person) in which to claim an input tax credit (ITC). In reporting the net tax for a reporting period, the registrant may include the ITCs that became available in that period and any unclaimed ITCs from the previous four years (or in the case of a specified person, two years).

A specified person is a listed financial institution as described in subsection 149(1) of the *Excise Tax Act*, or a person, other than a charity, who, together with any associates of the person, has made taxable supplies in excess of \$6 million in both their current and previous fiscal years where these supplies represent less than 90% of all the supplies made by the person and its associates.

In assessing a registrant's net tax for a reporting period under audit, the CRA is required to take into account any ITCs that the registrant did not claim for that reporting period even if the normal time limit for claiming these ITCs has expired. These unclaimed ITCs must be for tax that became payable during the particular reporting period under audit.

### *Example*

On April 30, 2001, Corporation B, a specified person with a June 30 year-end, reported the following amounts on its GST/HST return for the reporting period March 1, 2001, to March 31, 2001:

GST/HST collectible and collected	\$40,000
ITCs claimed	\$25,000
Net tax	\$15,000

In November 2003, this reporting period is selected for audit. During the course of the audit, the auditor discovers \$10,000 of unclaimed ITCs for GST/HST paid during this particular reporting period. Even though the time limit for claiming these ITCs expired on July 31, 2003, the auditor must take them into account when assessing the net tax for this reporting period. However, unclaimed ITCs for tax that became payable in reporting periods before the particular period under audit will not be taken into account.

If, after the unclaimed ITCs are applied against the net tax of the reporting period under audit, there is an overpayment of net tax on the part of the registrant, the CRA will apply this overpayment against any unpaid or unremitted amounts that arose before or after (up to four years) the reporting period being audited, and that remain outstanding on the day the Notice of Assessment is issued. If there is still an overpayment, the CRA will refund the amount to the registrant with interest, provided that the Notice of Assessment is issued before the time limit for claiming the ITCs has expired and the person has filed all returns that are required to be filed.

## Public service bodies and taxable supplies

Public service bodies (i.e., non-profit organizations, charities, municipalities, school authorities, hospital authorities, public colleges and universities) are provided with broad exempting provisions under the GST/HST legislation so that, generally speaking, there is no tax charged on most of their supplies. However, it is important for public service bodies that are registrants to ensure that the GST/HST is being properly charged on those supplies that are taxable at 7% or 15%. For example:

- (a) in the hospital sector, the GST/HST must be charged on certain commercial operations such as fast food outlets, the rental of television sets and vending machine operations;
- (b) in the educational sector, the GST/HST must be accounted for on taxable automobile benefits and charged on single non-credit courses and short-term rentals of real property; and
- (c) in the municipal sector, the GST/HST must be charged on the short-term rental of real property and the resale of recycled material.

In addition, certain transactions require that public service bodies self-assess the GST/HST; for example, when they purchase services originating from non-registered United States vendors.

Although the GST/HST involved in these types of transactions may not be great, it is important for public service bodies to review and identify these taxable transactions to ensure that the tax is being properly charged.

## The *Get it in Writing!* consumer awareness campaign is one year old

On February 25, 2003, the CRA in partnership with the Canadian Home Builders' Association (CHBA) launched the *Get it in Writing!* consumer awareness campaign, a two-year, multi-faceted initiative to alert consumers about the risks of hiring a contractor for a home renovation project without getting a written contract. We are happy to report that the campaign has successfully reached the halfway mark and is poised for continued positive results in year two.

To date, the campaign has focused on building consumer awareness through media coverage at popular spring and fall home shows held across the country, many of which included appearances by our high-profile campaign spokespeople (Jon Eakes across Canada and Yves Mondoux in Quebec), and by distributing the *Get it in Writing!* information pamphlet through numerous venues across the country (e.g., most major building materials retail stores, all client services offices of the CRA, Canada Mortgage and Housing Corporation, and municipal building permit offices). This year, in addition to continuing with all of these activities, we plan to expand our media relations efforts and to broaden the distribution network for the campaign information pamphlets.

The *Get it in Writing!* message is prudent consumer advice. It reinforces the value of hiring a professional contractor – someone who works with a contract and protects consumers from unnecessary risks. We look forward to continuing our successful partnership with the CHBA in educating consumers, levelling the playing field for legitimate contractors and promoting the fairness and integrity of the tax system.

For more information or to download a copy of the campaign pamphlet, please go to the official web site [www.hiringacontractor.com](http://www.hiringacontractor.com).

## **Important reminder for GST/HST annual filers about their return and payment due dates**

Most GST/HST annual filers are required to file their return along with any net tax owing within three months after the end of their fiscal year. In the case of sole proprietors who are also reporting business income, if you have a December 31 fiscal year end, your return is due June 15. Any income tax and/or GST/HST you owe is payable by April 30.

## **Yukon - Kluane First Nation**

On February 2, 2004, the Kluane First Nation became the ninth Yukon First Nation to have in force its self-government agreement. As of this date, the Kluane First Nation and its Indian members that are resident in the Yukon are no longer entitled to relief from the GST/HST under section 87 of the *Indian Act*.

There are still five Yukon First Nations that have yet to finalize their self-government agreements. For information on which Yukon First Nations have finalized their agreements and who has yet to finalize its agreement, refer to Notice 143R, *Application of the GST/HST to Yukon First Nations and Yukon First Indians* ([www.ccra-adrc.gc.ca/E/pub/gi/notice143/README.html](http://www.ccra-adrc.gc.ca/E/pub/gi/notice143/README.html)).

## **Exports of alcohol and tobacco products using form B60**

Some Canadian exporters of alcohol and tobacco products continue to use form B60, *Excise Duty Entry*, when exporting alcohol and tobacco products to the United States (US). Truck drivers are presenting this form to the US Customs and Border Protection (CBP) inspectors for signature as validation and proof of export of the alcohol or tobacco products. However, the US CBP inspectors have been instructed by their head office to cease validating form B60 since other documentation is already available to prove that the alcohol or tobacco products have been properly exported.

Alcohol and tobacco licensees are encouraged to continue to use form B60 for convenience purposes (e.g., the keeping of books and records), but should advise their transport companies to inform their drivers not to present this form to US CBP inspectors for signature. Other documentation is readily available that will provide satisfactory evidence of export.

Form B60 should not be confused with form E60, *Tobacco Products Export Form*. Form E60 must be used for all commercial exports (except for prescribed brands) of Canadian manufactured cigarettes, tobacco sticks, and other manufactured tobacco, and must be signed off by Canadian Border Services Agency officials. Neither of these forms is to be presented to US CBP inspectors.

For more information on this topic, contact the nearest regional excise duty office. Information relating to the documents that may be necessary for the export of alcohol and tobacco products will be available in Excise Duty Memorandum 9.3.1, *Export Documentation*, which will be published later this year.



## The wine corner

The new *Excise Act, 2001* was implemented on July 1, 2003, and as of that date, Part IV of the *Excise Tax Act* ceased to apply to wine. Instead, wine is now subject to excise duty under the *Excise Act, 2001*.

To facilitate a smooth transition from the rules under the *Excise Tax Act* to the *Excise Act, 2001*, certain transitional measures relating to bulk and packaged wine were implemented. As part of these measures, a refund on excise-tax-paid packaged wine may be available to persons licensed for an excise warehouse if the tax-paid packaged wine was entered into the person's excise warehouse on or before December 31, 2003. A refund may also be available to licensed users who possessed tax-paid bulk wine on July 1, 2003.

To receive this refund, excise warehouse licensees and licensed users must apply for the refund by June 30, 2004, by completing Form B256, *General Application for Refund of Excise Duty Under the Excise Act, 2001*. Refund application forms can be obtained on the CRA web site at <http://www.ccra-adrc.gc.ca/tax/technical/act2001-e.html> or from the nearest regional excise duty office.

Transitional measures also apply to wine labels that were ordered and printed prior to July 1, 2003, and received after that date. Wine licensees may continue to apply these labels to containers of wine that are packaged after July 1, 2003, or until supplies of these labels are depleted. However, these wine labels may not be used after June 30, 2004. All wine labels printed after July 1, 2003, must comply with the requirements of the new Act, showing the name and address, or the new licence number of the licensee that packaged the wine.

For more information relating to refunds, labels or any other wine issues, contact the nearest regional excise duty office.

## What's new in publications

### GST/HST Forms

GST 502	Election between Auctioneer and Principal
GST 521	GST/HST Multi-Employer Pension Plan Trust Rebate Application
RC4365	First Nations Goods and Services Tax (FNGST)

Current GST/HST and Excise Duty publications can be found on the Internet on the CRA web site.

# GST/HST News

No. 53

Summer 2004

## Table of Contents

100% GST rebate for municipalities.....	1
Driving services.....	2
Services supplied by auto auctioneers.....	2
Fraud case involving GST refunds.....	3
Whitecap Dakota First Nation Tax (Whitecap Dakota Community Improvement Fee).....	4
Services acquired off reserve by Indian bands and band-empowered entities.....	4
CRA and BC offer expanded business services.....	5
Rate reductions for the Air Travellers Security Charge (ATSC).....	5
Excise Rulings and Interpretations Service.....	6
What's new in publications.....	7
Prescribed rates of interest.....	7

## 100% GST rebate for municipalities

As noted in the spring edition of the *GST/HST News* (No. 52), the Minister of Finance, on February 3, 2004, confirmed that municipalities would be eligible for a 100% rebate of the GST and the federal portion of the HST. The 100% rebate applies to goods and services acquired by municipalities in respect of which the GST became payable on or after February 1, 2004. The municipalities that are eligible to claim the 100% rebate include:

- incorporated municipal bodies (e.g., cities, towns and villages),
- entities determined by the Minister of National Revenue to be municipalities (e.g., transit commissions and public libraries), and
- entities designated by the Minister of National Revenue to be municipalities in respect of their delivery of municipal services (e.g., some non-profit social housing corporations or cooperatives).

Further details on this rebate were announced in the Notice of Ways and Means Motion of March 9, 2004, and in the federal budget of March 23, 2004. After the federal budget, the *Budget Implementation Act, 2004* was introduced to give legislative effect to these proposals. This Act received Royal Assent on May 14, 2004.

**More Ways to Serve You!**  
**Pour vous servir encore mieux!**

La version française de ce bulletin est intitulée *Nouvelles de la TPS/TVH*.



Canada Revenue  
Agency

Agence du revenu  
du Canada

**Canada**





## Driving services

Drive-away companies arrange for the delivery of vehicles from one place to another by supplying a person to drive the vehicles between those places. These services are known as driving services and may be supplied in respect of vehicles moved domestically within Canada or internationally between Canada and the United States.

Driving services are not considered to be freight transportation services for GST/HST purposes. As a result, the supply of a driving service cannot be zero-rated pursuant to Part VII of Schedule VI to the *Excise Tax Act*. Supplies of driving services performed in whole or in part in Canada are subject to GST/HST at a rate of 7% or 15%.

Drive-away companies supplying driving services may also stack one or more vehicles on the deck of the vehicle being driven. The stacked vehicles are not necessarily owned by the person whose vehicle is being driven, and may be delivered to the same place as the vehicle being driven or to other places. The service of moving the stacked vehicles is referred to as decking and may qualify as a freight transportation service for GST/HST purposes, depending on the situation. For example, where a drive-away company moves a vehicle with a stacked vehicle from a place in Canada to a place outside Canada, and the driving and decking services are supplied to different persons, the supply of the decking service may qualify as a freight transportation service. The supply of the freight transportation service will be zero-rated for GST/HST purposes where the value of the consideration for the supply is \$5 or more. If you have any questions regarding whether a particular decking service qualifies as a freight transportation service, contact your nearest CRA tax services office.

Finally, some drive-away companies supplying driving services will tow another vehicle behind the vehicle being driven. Typically, the driver uses the towed vehicle for his or her personal transportation once the vehicle being driven is delivered to its destination. In these circumstances, the drive-away company is not considered to be making a supply of towing that second vehicle to a recipient.

For more information on freight transportation services and towing, refer to GST/HST Memorandum 28.2, *Freight Transportation Services* (<http://www.cra.gc.ca/E/pub/gm/28-2r/README.html>).

## Services supplied by auto auctioneers

The Fall 2003 *GST/HST News* (No. 50) contained an article about supplies by auctioneers. The article outlined two conditions for determining whether services supplied by an auctioneer to a principal relate to the supply of tangible personal property to the recipient. Generally, an auctioneer is not required to collect the GST/HST on services supplied to a principal that relate to the supply of the tangible personal property to the recipient.

The following are examples of services supplied by an auto auctioneer to the principal that are considered to relate to the supply of the tangible personal property to the recipient. Generally, supplies of these services are not subject to the GST/HST:

- decal removal;
- engine cleaning, wax and polish, and steam cleaning;
- maintaining customer profile or account information;
- removal and transportation of vehicles from the principal's premises to the auctioneer's premises;
- standardized sales and financial reports;
- towing vehicles through the sale lane where the vehicles do not have the power to be driven;



- valuation and price estimating services; and
- washing and vacuuming.

However, an auctioneer and a principal may jointly elect for the principal to account for tax on the supply of motor vehicles designed for highway use (e.g., cars, vans, trucks) in which case the auctioneer is required to collect the GST/HST on the above-related services.

## **Fraud case involving GST refunds**

A recent CRA investigation uncovered a fraudulent GST refund scheme involving ten registrants who purported to be in the trucking business. The investigation revealed that, in all cases except one, there was no business activity and therefore no entitlement to any GST refunds. Correspondence, GST/HST returns, invoices, a typewriter, and a computer and floppy disks were used for forensic analysis and evidence for the prosecution in a subsequent trial.

As a result of the trial, one person was found guilty of 37 counts of filing fraudulent GST/HST returns and 26 counts of receiving false refunds to which the person was not entitled. This person was sentenced to five years in jail and was fined over \$147,000. A co-accused person was found guilty of eight counts of filing fraudulent GST/HST returns, four counts of receiving false refunds and six counts of being a party to three other persons wilfully obtaining false refunds. This person was fined over \$18,000. A trucking company of which the first person was sole shareholder and director was found guilty of one count of filing a fraudulent GST/HST return and was fined over \$14,000.

In addition to the above sentences, there were two earlier convictions in the same case. One person pleaded guilty to two counts of wilfully obtaining false refunds and two counts of being a party to another accused wilfully obtaining false refunds. This person was fined over \$8,000. Another person pleaded guilty to one count of wilfully obtaining a false refund. This person was sentenced to 30 days in jail and was fined over \$7,000.

When individuals or corporations are convicted of GST fraud, in addition to any fines and jail terms imposed by the courts, they are still obligated to repay the GST/HST amount that they fraudulently obtained, plus interest, as well as any civil penalties that may be assessed by the CRA. The same applies for convictions that relate to excise taxes or duties.

Individuals or corporations that have not filed returns for previous years, that have not reported all of their income, GST/HST collected or collectible or excise taxes or duties, or that have claimed refunds on a fraudulent basis can still voluntarily correct their tax affairs. They will not be penalized or prosecuted if they make a full disclosure before the CRA starts any action or investigation against them, but will only have to pay the taxes owing, plus interest. To take advantage of the voluntary disclosure policy, visit the CRA web site at [http://www.cra-arc.gc.ca/agency/programs\\_services/disagree/fairness-e.html](http://www.cra-arc.gc.ca/agency/programs_services/disagree/fairness-e.html) for more information.

## Whitecap Dakota First Nation Tax (Whitecap Dakota Community Improvement Fee)

Under the authority provided by Part 4 of the *Budget Implementation Act, 2000*, the Council of the Whitecap Dakota First Nation has passed a by-law that imposes a 7% tax on tobacco products, fuel and alcoholic beverages sold on the Whitecap Dakota reserve in Saskatchewan, effective June 1, 2004. This tax is called the Whitecap Dakota Community Improvement Fee. The GST is not levied on supplies where the Whitecap Dakota Community Improvement Fee applies, ensuring that a single 7% tax is applicable. The CRA administers this tax on behalf of the Whitecap Dakota First Nation.

The Whitecap Dakota First Nation Tax (FNT) is similar to the Shuswap FNT, Tzeachten FNT, Westbank FNT, Kamloops FNT, Sliammon FNT, Chemainus FNT, Buffalo Point FNT, Adams Lake FNT and the Cowichan Tribes FNT that are currently in place.

The publication, *First Nations Tax (FNT)*, provides more details about these First Nations taxes, including the definition of the products subject to FNT. The publication is available from any CRA tax services office and on the CRA web site at <http://www.cra-adrc.gc.ca/E/pub/gp/rc4072/README.html>. If you need more information about FNT, please call Business Enquiries at 1-800-959-5525.

## Services acquired off reserve by Indian bands and band-empowered entities

Technical Information Bulletin B-039R, *GST Administrative Policy - Application of GST to Indians*, states that services acquired on or off reserve by a band or a band-empowered entity (BEE) for band-management activities or for real property on reserve are not subject to the GST/HST. These services may be acquired on or off reserve by a band or a BEE tax relieved at the time of purchase provided the other conditions for relief under Technical Information Bulletin B-039R have been met. The phrase “for band-management activities or for real property on reserve” is read as one. Therefore, services acquired for real property off reserve cannot be acquired tax relieved nor can a rebate be filed for the tax paid. For example, construction services acquired by a band to build a friendship centre off reserve would be subject to the GST/HST.

With respect to purchases of transportation, entertainment, short-term accommodation, and meals (referred to as “eligible travel expenses”) acquired off reserve by a band or a BEE, the GST/HST applies at the time of acquisition. So, tax is always payable on supplies of eligible travel expenses acquired off reserve by a band or a BEE. However, a band or a BEE may apply for a rebate. The rebate may be claimed under code 8 of the *General Application for Rebate of GST/HST* (form GST189) to recover the GST/HST paid on eligible travel expenses acquired off reserve if they are for band-management activities or for real property on reserve.

The CRA’s administrative position is to treat a band or a BEE as the recipient that paid tax in order to claim a code 8 rebate where the band or BEE reimburses or pays a reasonable allowance to their employees or band officials for eligible travel expenses incurred on behalf of the band or BEE for band management activities or for real property on reserve.

Off-reserve travel expenditures and other expenses to attend medical appointments are normally considered personal expenditures of the patient or guardian when they pay for them. Generally, the costs associated with travel for personal medical appointments are reimbursed to the patient or guardian directly by Health Canada or by the First Nation who has a contribution agreement with Health Canada.



Even if a band reimburses the patient or guardian, or pays an allowance, the GST/HST portion of the payment will not qualify for the code 8 rebate because the band has not acquired the services.

The code 8 rebate is intended to cover the GST/HST on services for eligible travel expenses incurred by a band or BEE where band employees or officials travel off reserve for band management activities.

Following the regular GST/HST rules, the rental of a meeting or conference room is defined as a supply of real property. However, for purposes of Technical Information Bulletin B-039R, the short-term rental of a meeting or conference room off reserve will be treated the same as a supply of short-term accommodation (e.g., hotel room). This means that a code 8 rebate will be available to bands and BEEs for the short-term rental of a meeting or conference room acquired off reserve for band-management activities where the remaining conditions under Technical Information Bulletin B-039R have been met.

GST/HST general rebate claims for bands and band-empowered entities must be filed within two years of paying the tax in accordance with subsection 261(3) of the *Excise Tax Act*.

## **CRA and BC offer expanded business services**

British Columbia (BC) has adopted the CRA's Business Number (BN) to identify its business accounts. It is now possible for businesses to register for their BC Hotel Room Tax, Social Service Tax, or Workers' Compensation Board of BC accounts via the CRA's Business Registration On-line (BRO) Internet site at <http://www.businessregistration-inscriptionentreprise.gc.ca>

After completing CRA registrations, businesses can transfer to BC's OneStop Internet site for BC registrations. With their consent, basic information such as business name or address keyed into the BRO system will be copied automatically into the appropriate area of the OneStop site.

BC's newly redesigned OneStop Business Services Internet site at [www.onestopbc.ca](http://www.onestopbc.ca) works the same way. It provides a new channel for obtaining information relating to the four major CRA business programs (GST/HST, payroll deductions, corporate income tax account and import/export) without the necessity of re-keying tombstone information. In addition, the BC OneStop site offers a wide range of provincial and municipal registrations as well as a service that allows users to notify simultaneously federal, provincial and municipal organizations of changes of business address and closures.

## **Rate reductions for the Air Travellers Security Charge (ATSC)**

As announced by the Minister of Finance in the Budget tabled on March 23, 2004, the new reduced rates for the ATSC are as follows:

- For domestic air travel acquired in Canada, where the GST/HST applies at the rate of 7% or 15% for the air transportation service, the ATSC is \$5.61 for each chargeable emplanement to a maximum of \$11.22. Where the GST/HST does not apply, the ATSC is \$6 for each chargeable emplanement to a maximum of \$12.
- For air travel to a destination outside Canada but within the continental zone (i.e., Canada, the United States except Hawaii and the Islands of St. Pierre and Miquelon), where the GST/HST applies at the rate of 7% or 15%, the ATSC is \$9.35 for each chargeable emplanement to a maximum of \$18.69. Where the GST/HST does not apply, the ATSC is \$10 for each chargeable emplanement to a maximum of \$20.



- For air travel to destinations outside the continental zone, the ATSC is \$20 where there is a chargeable emplanement.

These reduced ATSC rates apply to air travel purchased on or after April 1, 2004, that includes a chargeable emplanement on or after April 1, 2004. There will be no refunds for the ATSC amounts paid before April 1, 2004, even if the air travel takes place on or after April 1, 2004.

For any questions about these new rate reductions, contact one of the following CRA offices:

Excise and Other Levies Unit at the Summerside Tax Centre

Individuals in Canada or the United States may call toll-free at (877) 432-5472. Individuals outside these countries may call (902) 432-5472. Service is available in both English and French.

Montreal tax services office  
1-800-877-9277

Toronto West tax services office  
(905) 277-6475

Burnaby-Fraser tax services office  
(604) 587-2611

## Excise Rulings and Interpretations Service

Excise tax licensees, excise duty licensees and registrants, and other interested parties may request a ruling or interpretation on how excise duties, excise taxes, the tax on insurance premiums or the air travellers security charge applies to their operations or transactions in which they are involved. The purpose of the Excise Rulings and Interpretations Service is to help clients (e.g., excise tax licensees, excise duty licensees and registrants, and other interested parties) comply voluntarily with the law by giving them as much certainty as possible about how the relevant provisions of the applicable legislation apply to their transactions or proposed transactions. This service is available free of charge. For more information on obtaining a ruling or an interpretation, please call,

- for excise taxes and the tax on insurance premiums, 1-866-330-3304,
- for excise duty, one of the Regional Excise Duty offices listed in Excise Duty Memorandum 1.1.2, *Regional Excise Duty Offices* (<http://www.cra-arc.gc.ca/E/pub/em/edm1-1-2/README.html>),
- for the air travellers security charge, one of the telephone numbers listed in the article "Rate reductions for the Air Travellers Security Charge (ATSC)".

## What's new in publications

### GST/HST Memoranda Series

Memorandum 17.2.3 *Products and Services of Life and Health Insurance Companies*

### GST/HST Forms

Form GST531 *Return for Self-Assessment of the First Nations Goods and Services Tax (FNGST)*

### GST/HST Policy Statements

Policy statement P-077R2 *Single and Multiple Supplies*

Policy statement P-243 *Section 232.1 – Promotional Allowances*

### Excise Duty Memoranda Series

Memorandum 1.1.6 *Formulation Approval Process*

Memorandum 3.4.1 *Losses of Spirits*

Memorandum 4.4.1 *Losses of Wines*

Memorandum 4.1.2 *Small Producers of Wine*

Current [GST/HST](#), [Excise Duty](#) and [Excise Taxes and Special Levies](#) publications can be found on the Internet on the CRA web site.

## Prescribed rates of interest

The prescribed annual rate of interest in effect from July 1, 2004, to September 30, 2004, with respect to the GST/HST and the air travellers security charge (ATSC) is set at 2.3870% commencing July 1, 2004. Interest and penalty compound daily.

The prescribed annual rate of interest on amounts of income tax, excise tax and excise duty (except excise duty on beer) payable to the Minister (i.e., arrears and instalment payments) is established at 6%. The prescribed interest rate on amounts owed by the Minister (i.e., refunds) is established at 4%. These rates compound daily.

The prescribed annual rate of interest respecting excise duty on beer accounts is set at 4% commencing July 1, 2004. Penalty compounds monthly and interest compounds daily.

Prescribed interest rates are adjusted every calendar quarter. The [rates of interest](#) for previous periods are available on the CRA web site.

Period	GST/HST ATSC		Income Tax, Excise Tax, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)	
	Interest	Penalty	Refund Interest	Arrears and Instalment Interest	Interest	Penalty
<b>2004</b>						
January 1 – March 31	2.4132 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %
April 1 – June 30	2.4132 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %
July 1 – September 30	2.3870 %	6.0 %	4.0 %	6.0 %	4.0 %	6.0 %

**GST/HST ENQUIRIES**

To make enquiries regarding your GST/HST account, call Business Enquiries at 1-800-959-5525

To make enquiries regarding the status of specific GST/HST domestic rebate claims, call  
1-800-565-9353

To make enquiries regarding the status of visitor rebate claims, call 1-800-668-4748

To obtain copies of forms and publications, call 1-800-959-2221

If you are in the Province of Québec, please call the following toll-free number:  
1-800-567-4692 (Ministère du Revenu du Québec)

The *GST/HST News* is published quarterly and highlights recent developments in the administration of the Goods and Services Tax (GST) and Harmonized Sales Tax (HST) as well as excise taxes and duties. This publication is provided for information purposes only and does not replace the law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Canada Revenue Agency (CRA) tax services office or call Business Enquiries at 1-800-959-5525. Comments or suggestions about the newsletter should be sent to the Editor, *GST/HST News*, Policy and Planning Branch, CRA, Ottawa, Ontario K1A 0L5. ISSN 1183-689X



# GST/HST News

No. 54

Fall 2004

## Table of Contents

New GST/HST Info Sheets.....	1
Vendor certificates for incorporated band-empowered entities.....	2
GST/HST and consigned goods.....	3
Moving allowances.....	3
Privacy and personal information.....	4
Electronic payments for business.....	4
What's new in publications.....	5
Prescribed rates of interest.....	5

## New GST/HST Info Sheets

We are introducing a new series of technical publications called **GST/HST Info Sheets**. They are written in plain language and have been designed to provide clear and brief explanations of specific issues on the GST/HST to the general public. They are available on the CRA Web site under GST/HST - Technical information.

So far, the following titles have been published:

- Products Commonly Described as Dietary Supplements
- Sales of Farmland by Individuals
- Sales of Vacant Land by Individuals
- Sales by Individuals of Owner-Occupied Homes
- Automated Banking Machine (ABM) Services
- Sale of a Residence by a Builder Who Is an Individual
- Operating a Bed and Breakfast in Your Home
- Harbour Authorities
- Consigned Goods



If you wish to receive a notice announcing future **GST/HST Info Sheets** as they become available, please subscribe to the GST/HST Technical Publications Electronic Mailing List.

*More Ways to Serve You!*  
*Pour vous servir encore mieux!*

La version française de ce bulletin est intitulée *Nouvelles de la TPS/TVH*.



Canada Revenue  
Agency

Agence du revenu  
du Canada

Canada

## Vendor certificates for incorporated band-empowered entities

As more First Nations become involved in commercial activities, it should be noted that not all incorporated First Nation businesses are entitled to tax relief on their purchases. This article will discuss the requirement for incorporated band-empowered entities to include a statement in the documentation they provide to the vendor that they are acquiring property for band management activities.

Incorporated businesses that are not band-empowered entities (as defined under Technical Information Bulletin (TIB) B-039R, *GST Administrative Policy Application of GST to Indians*) must follow the normal GST/HST rules when acquiring goods and services. An incorporated entity may purchase property or services tax relieved only if the entity is owned or controlled by a band and provided the conditions set out under B-039R are met.

GST/HST relief will apply to property acquired by an incorporated band-empowered entity where:

- the property is acquired on a reserve or the property is delivered to a reserve by the vendor or vendor's agent; and
- certification, with the statement to indicate that the property is being acquired for band management activities, is provided.

The following is an example of acceptable certification for incorporated band-empowered entities:

"This is to certify that the property or service being acquired by (*insert name of band or band-empowered entity*) is for band management activities or real property on reserve. This supply will not be subject to the goods and services tax/harmonized sales tax (GST/HST)."

Incorporated band-empowered entities are not required to pay GST/HST provided the vendor is satisfied that the conditions for tax relief have been met and the vendor retains the required documentation as outlined in B-039R.

**Note:** The tax relief applies only to the GST/HST. Tax relief does not apply to supplies that are subject to First Nations tax (FNT) or First Nations Goods and Services tax (FNGST). These taxes are imposed by First Nations and the tax exemption under the *Indian Act* does not apply. To obtain more information on the FNT and the FNGST, refer to guide RC4365, *First Nations Goods and Services Tax* and guide RC4072, *First Nations Tax*.

Although vendors can generally rely on a certificate provided by a customer, they should ensure that it is reasonable given the situation. For example, if there is obvious evidence that an **incorporated** band-empowered entity is involved in commercial activity to the extent for which it would be required to register for GST/HST, (e.g. the value of the goods supplied clearly exceeds the small supplier threshold) the vendor will be expected to charge and collect the GST/HST on the supply. Similarly, where there are indications the goods are destined for resale, the vendor should charge and collect GST/HST on the supply.

For more information about the GST/HST and Indians, please refer to Technical Information Bulletin (TIB) B-039R, *GST Administrative Policy Application of GST to Indians*. TIB B-039R provides an example of the wording that can be used for the certification which may be used when an Indian band or band-empowered entity (incorporated or unincorporated) acquires services, or if an Indian band or **unincorporated** band-empowered entity acquires property.



## GST/HST and consigned goods

A consignment is an arrangement in which an owner delivers its goods to another person (the “consignee”) on the understanding that the consignee will sell the goods. There are two common types of consignment arrangements:

- a sale by agent arrangement where title to the goods is transferred directly from the owner to the purchaser through the consignee as agent; or
- a purchase and resale arrangement where title to the goods passes from the original owner to the consignee and then to the final purchaser.

The type of the consignment, along with whether the owner’s obligation to charge GST/HST (e.g., when the owner is a GST/HST registrant and the goods were used in its commercial activities) are factors in determining whether the owner or the consignee is responsible for charging and accounting for the tax on the supply of the goods.

However, regardless of the type of the consignment, the final purchaser must pay the GST/HST when buying taxable goods (other than zero-rated goods) sold on a consignment basis.

The CRA recently published a GST/HST Info Sheet that explains, in more detail, the application of the GST/HST to consigned goods. The CRA will also be publishing a GST/HST Info Sheet that explains supplies by agents, which will be helpful in understanding sale by agent arrangements. Until that time, for more information on supplies by agents, please refer to GST/HST Policy Statement P-182R, *Agency*. If you want to discuss a specific consignment situation, please call a GST/HST Rulings Centre at 1-800-959-8287.

## Moving allowances

Occasionally, registrants pay an amount that is over and above a reimbursement of actual moving expenses to employees who are required to move for work purposes. Subsequently, this amount is included on the employees’ T4 as a taxable benefit.

For GST/HST purposes, the CRA’s policy with respect to moving allowances is consistent with the income tax administrative policy that a moving allowance of up to \$650 is treated as a non-taxable reimbursement to the employee, as long as the employee certifies that the amount was spent on moving expenses. Consequently, this amount is considered a reimbursement for GST/HST purposes. The person paying the amount (the employer) would then be able to claim an input tax credit, or rebate, on the reimbursed amount, subject to any other restrictions in the *Excise Tax Act*.

The amount of moving allowance which is required to be included in an individual's income as a taxable benefit (i.e., any amount over \$650) is considered to be remuneration, or income from employment, of that individual. As employment income, this amount would not be subject to GST/HST, and not eligible for purposes of determining an input tax credit entitlement.

For more information regarding moving allowances please consult these publications:

- GST/HST Policy Statement P-075R, *Allowances and Reimbursements*, and
- Guide T4130 *The Employers’ Guide: Taxable Benefits 2003-2004*.



## Privacy and personal information

Maintaining the privacy and confidentiality of personal information is a priority for the CRA. We will not use or share your personal information unless you or the law authorizes us to do so. All personal information, including social insurance numbers, you provide to CRA officials is protected under the tax legislation administered by the CRA such as the *Excise Tax Act*, the *Excise Act, 2001* and the *Income Tax Act*.

Canadians have a number of fundamental rights stated in the laws, and treaties that we administer. Also, the *Canadian Charter of Rights and Freedoms*, *Privacy Act*, *Official Languages Act* and the legislation mentioned above describe general rights that apply in our tax dealings. Some of these rights include:

- to be treated fairly through due process;
- to have your confidential information protected;
- to get service in the official language of your choice; and
- to have access to impartial redress if there is a dispute.

More information on our privacy policy is available on our Web site at: [www.cra-arc.gc.ca/notices/privacy2-e.html](http://www.cra-arc.gc.ca/notices/privacy2-e.html).

## Electronic payments for business

Internet banking is an easy to use, secure and convenient method for paying your GST/HST through your financial institution. Once you have initiated a payment transaction, your financial institution will provide you with an electronic acknowledgement to confirm that the funds have been drawn from your bank account. A transfer of funds to CRA will be initiated on the date you have established with your financial institution. This funds transfer is both secure and confidential and there is no need to mail in your paper voucher. Your financial institution may also allow you to schedule payments for future dates.

If you are filing a return with a balance owing, many financial institutions offer Internet banking services that allow you to file and make payments to the CRA electronically. For more information regarding electronic services offered by certain financial institutions please visit [www.cra-arc.gc.ca/eservices/payments/business](http://www.cra-arc.gc.ca/eservices/payments/business) or contact your financial institution directly.

For more information regarding the filing of your GST/HST return, please visit our website at [www.ccra.gc.ca/gsthst-edi](http://www.ccra.gc.ca/gsthst-edi).

## What's new in publications

### GST/HST Info Sheets

GI-001 Products Commonly Described as Dietary Supplements  
 GI-002 Sales of Farmland by Individuals  
 GI-003 Sales of Vacant Land by Individuals  
 GI-004 Sales by Individuals of Owner-Occupied Homes  
 GI-005 Sale of a Residence by a Builder Who Is an Individual  
 GI-006 Automated Banking Machine (ABM) Services  
 GI-007 Operating a Bed and Breakfast in Your Home  
 GI-008 Harbour Authorities  
 GI-009 Consigned Goods

### GST/HST Guides

RC4081E GST/HST Information for Non-Profit Organizations

### GST/HST Forms

GST502E Election and Revocation of Election Between Auctioneer and Principal

Current GST/HST, Excise Duty and Excise Taxes and Special Levies publications can be found on the Internet on the CRA web site at: [www.cra-arc.gc.ca/tax/technical/menu-e.html](http://www.cra-arc.gc.ca/tax/technical/menu-e.html)

## Prescribed rates of interest

The prescribed annual rate of interest in effect from October 1, 2004, to December 31, 2004, with respect to the GST/HST and the air travellers security charge (ATSC) is set at 2.3870% commencing October 1, 2004. Interest and penalty compound daily.

The prescribed annual rate of interest on amounts of income tax, excise tax and excise duty (except excise duty on beer) payable to the Minister (i.e., arrears and instalment payments) is established at 7%. The prescribed interest rate on amounts owed by the Minister (i.e., refunds) is established at 5%. These rates compound daily.

The prescribed annual rate of interest respecting excise duty on beer accounts is set at 5% commencing October 1, 2004. Penalty compounds monthly and interest compounds daily.

Period	GST/HST ATSC		Income Tax, Excise Tax, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)	
	Interest	Penalty	Refund Interest	Arrears and Instalment Interest	Interest	Penalty
<b>2004</b>						
January 1 – March 31	2.4132 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %
April 1 – June 30	2.4132 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %
July 1 – September 30	2.3870 %	6.0 %	4.0 %	6.0 %	4.0 %	6.0 %
October 1 – December 31	2.3870 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %

Prescribed interest rates are adjusted every calendar quarter. The rates of interest for previous periods are available on the CRA web site.

**GST/HST ENQUIRIES**

To make enquiries regarding your GST/HST account, call Business Enquiries at 1-800-959-5525

To make enquiries regarding the status of specific GST/HST domestic rebate claims, call  
1-800-565-9353

To make enquiries regarding the status of visitor rebate claims, call 1-800-668-4748

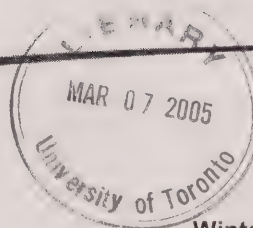
To obtain copies of forms and publications, call 1-800-959-2221

If you are in the Province of Québec, please call the following toll-free number:  
1-800-567-4692 (Revenu Québec)

The *GST/HST News* is published quarterly and highlights recent developments in the administration of the Goods and Services Tax (GST) and Harmonized Sales Tax (HST) as well as excise taxes and duties. This publication is provided for information purposes only and does not replace the law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Canada Revenue Agency (CRA) tax services office or call Business Enquiries at 1-800-959-5525. Comments or suggestions about the newsletter should be sent to the Editor, *GST/HST News*, Policy and Planning Branch, CRA, Ottawa, Ontario K1A 0L5. ISSN 1183-689X



# GST/HST News



No. 55

Winter 2004 - 2005

## Table of Contents

Bill C-26 receives second reading .....	1
Bill C-33 receives first reading .....	2
Kluane First Nation to replace GST with the First Nations Goods and Services Tax (FNGST) .....	2
Auctioneers .....	3
Substantial renovations and the GST/HST new housing rebate .....	5
File your GST/HST return electronically .....	5
Voluntary direct deposit for GST/HST registrants .....	6
Notice to excise duty licensees .....	6
Prescribed rates of interest .....	7
What's new in publications .....	8

## Bill C-26 receives second reading

Bill C-26, an Act to establish the Canada Border Services Agency (CBSA), received second reading in the House of Commons on December 13, 2004. The CBSA brings together the border services of the Canada Customs and Revenue Agency (CCRA), the Canadian Food Inspection Agency and Citizenship and Immigration Canada. This enactment sets out the responsibilities, mandate, powers, duties and functions of the Minister responsible for the CBSA and its President.

This Bill also includes consequential amendments to the *Canada Customs and Revenue Agency Act* and to a number of statutes administered by the CCRA. Among other amendments are those officially changing the name of the CCRA to Canada Revenue Agency (CRA) and the Commissioner's title to that of Commissioner of Revenue.

**More Ways to Serve You!**  
**Pour vous servir encore mieux !**

La version française de ce bulletin est intitulée  
*Nouvelles de la TPS/TVH.*



Canada Revenue  
Agency

Agence du revenu  
du Canada

Canada

**Bill C-33 receives first reading**

Bill C-33, a second Act to implement certain provisions of the budget tabled in the House of Commons on March 23, 2004, received first reading on December 8, 2004. The proposed amendments to the legislation include reducing the air travellers security charge and amendments to the *First Nations Goods and Services Tax Act* (FNGST) to facilitate the establishment of taxation arrangements between the Government of Quebec and interested Indian bands situated in Quebec.

For a more detailed discussion of these measures please refer to the Explanatory Notes to the Ways and Means Motion published on the Department of Finance Web site at: [www.fin.gc.ca/news04/04-075e.html](http://www.fin.gc.ca/news04/04-075e.html).

**Kluane First Nation to replace GST with the First Nations Goods and Services Tax (FNGST)**

On January 1, 2005, the Kluane First Nation joins eight other Yukon First Nations that have imposed the FNGST. These First Nations are:

- Champagne and Aishihik First Nation
- Kluane First Nation
- Little Salmon/Carmacks First Nation
- Nacho Nyak Dun First Nation
- Selkirk First Nation
- Ta'an Kwach'an First Nation
- Teslin Tlingit Council
- Tr'ondëk Hwëch'in First Nation
- Vuntut Gwitchin First Nation

The FNGST replaces the GST that applied on the lands of the Kluane First Nation. Everyone, including Indians, but not some provincial and territorial governments, has to pay FNGST on the taxable supplies they buy on First Nations' lands where FNGST applies.

The publication RC4365, *First Nations Goods and Services Tax (FNGST)* provides more details about FNGST.

## Auctioneers

This article explains how the GST/HST applies to goods sold by auctioneers and services provided by auctioneers. The information applies only to auctioneers who are registered or required to register for GST/HST purposes. In addition, this information **does not** apply to auctioneers who are selling goods other than as part of their commercial activities, or to auctions of services, precious metals, buildings, land, court-seized property, or leases, licences and other intangible rights and privileges.

### Goods sold by auctioneers

An auctioneer who sells goods on behalf of a person who owns the goods (i.e., the “owner”) is considered to have sold the goods to the purchaser. The sale of the goods by the auctioneer is either taxable at a rate of 7% or 15% or zero-rated (subject to tax at 0%), even if the owner would not have been required to charge tax had the owner sold the goods directly to the purchaser. The auctioneer – not the owner – is responsible for charging and accounting for the tax on the sale. Of course, if the sale of the goods is zero-rated, such as a sale of cattle, the auctioneer does not account for any tax.

If GST/HST applies to the sale of the goods, the auctioneer must charge and account for tax on the entire purchase price including the buyer’s premium if one is charged. A buyer’s premium is an advertised percentage or a flat fee that the auctioneer adds to the final bid price of the goods.

### *Election for owner to account for tax*

An owner who is registered for GST/HST purposes and an auctioneer may jointly elect to allow the owner to charge and account for the tax on sales of certain types of taxable goods. In this situation, the auctioneer must charge and account for the GST/HST on all services it provides (including auctioneering services).

### Services provided by auctioneers

An auctioneer who has made a sale of goods by auction is **not** considered, except in limited circumstances, to have provided the owner with services related to the sale of the goods. The auctioneer **does not** charge or account for tax on related services, including those for which they charge a commission, such as calling the auction or providing a facility.

Whether a service is related to a sale of goods by auction depends on the circumstances. Generally, a service is considered to be related to the sale of goods if both of the following requirements are met:

1. The service provided to an owner relates directly to the sale of the goods by auction and not simply to the goods themselves. For example, minimal services such as pre-sale cleaning are not taxable since they relate to the sale of the goods by auction, whereas repair and restoration services are generally taxable since they may alter or significantly enhance the goods.
2. The service is of a kind typically provided at that type of auction or at auctions in general. For example, the following services are usually not subject to tax:
  - auctioneering services, such as calling the auction or providing a facility
  - advertising or illustrating services
  - pre-auction price estimates
  - short-term storage services



Goods or services provided to owners as inputs into related services (i.e., those services meeting both of the above requirements) are not subject to the GST/HST even if the owners are separately billed for them. However, an auctioneer must collect tax on all taxable services to owners that do not meet both of the above requirements.

In addition, an auctioneer must collect tax on all amounts charged to owners for taxable goods and services when goods are put up for auction but are not sold, even if they meet the above requirements.

Services provided to persons other than owners are usually taxable. For example, services provided to a purchaser or to another third party, such as collecting the third party's insurance fees, breed association fees, freight fees, or inspection fees, are subject to the GST/HST.

Auctioneers should not charge and account for the tax on taxable services provided by third parties. The third parties are responsible for determining any tax liability for services they provide. However, as agents of the third parties, auctioneers may collect the tax on those amounts and forward the tax to the third parties who must account for the tax. In this case, auctioneers must charge and account for tax on commissions the third parties pay to them for acting as their agent.

If auctioneers are not collecting amounts on the taxable services as agents of the third parties, but instead, are collecting them in their own right, the auctioneers must charge and account for the GST/HST on those amounts.

#### **More information**

For more information on auctioneers and elections please refer to the GST/HST Info Sheet G-010, *Auctioneers*. This GST/HST Info Sheet also provides examples of different auction scenarios and transactions.

For more information on agents, refer to GST/HST Policy Statement P-182R, *Agency*. A GST/HST Info Sheet on agents will also be published soon.

Please call a GST/HST Rulings Centre toll free at 1-800-959-8287 if you have specific questions on these or other matters related to auctioneers.

**Substantial renovations and the GST/HST new housing rebate**

The CRA has recently published a new Technical Information Bulletin (TIB) B-092, *Substantial Renovations and the GST/HST New Housing Rebate*. It sets out the CRA's interpretation of the term "substantial renovation" as it relates to the GST/HST new housing rebate.

TIB B-092 examines the meaning of the terms "substantial renovation" and "major addition" as they relate to the eligibility of individuals to claim the GST/HST new housing rebate. It also reviews how the concept of substantial renovation applies to various types of residential complexes, how the CRA views a building that is converted to a residential complex, how to treat a major addition to a residential complex, and how the creation of self-contained suites such as guest and granny suites are treated. Finally, this publication sets out the time limitations for claiming the GST/HST new housing rebate.

Please refer to the CRA publication RC4028, *GST/HST New Housing Rebate* for a detailed discussion of the eligibility rules for the new housing rebate and the necessary forms.

**File your GST/HST return electronically**

The CRA now offers three methods to electronically file your GST/HST return: GST/HST TELEFILE, GST/HST-EDI, and our newest filing option, GST/HST NETFILE.

If you are filing a return with a nil balance or a refund of \$10,000 or less, you can do so quickly, easily and securely over the Internet with GST/HST NETFILE, or by using a touch-tone phone with GST/HST TELEFILE.

If an access code is printed on your personalized GST/HST return, you are invited to use GST/HST NETFILE or GST/HST TELEFILE. Have your completed working copy of your return at hand and access our GST/HST NETFILE Web site ([www.cra.gc.ca/gsthst-netfile](http://www.cra.gc.ca/gsthst-netfile)) or call 1-800-959-2038 for GST/HST TELEFILE. At the end of your filing session, you will receive a confirmation number as proof that we have received your return.

GST/HST NETFILE and GST/HST TELEFILE are available Monday to Friday from 8:30 a.m. to 8:00 p.m., and Saturday from 8:30 a.m. to 5:00 p.m., local time. The services are not available on Sunday or on statutory holidays.

Our third electronic filing option, GST/HST-EDI, allows you to electronically file both your return and payment (if applicable) through a participating financial institution. To find out if your financial institution offers this service, contact your local branch or visit our GST/HST-EDI Web site at [www.cra-arc.gc.ca/eservices/gsthst-edi/menu-e.html](http://www.cra-arc.gc.ca/eservices/gsthst-edi/menu-e.html).

For complete details on filing your GST/HST return electronically, visit our Web site at [www.cra-arc.gc.ca/eservices/tax/business/menu-e.html](http://www.cra-arc.gc.ca/eservices/tax/business/menu-e.html).

**Voluntary direct deposit for GST/HST registrants**

The CRA is encouraging all new GST/HST registrants to choose the direct deposit payment option for GST/HST refunds. GST/HST registrants choosing this payment option will have their refunds deposited into their chosen account at their financial institution on the same day that the cheque would have been mailed out.

In addition to being a more efficient alternative to paper cheques, direct deposit is also a confidential, convenient and dependable way of receiving a refund. You receive the benefit of the direct deposit payment on the payment date of the refund that could result in a one to four day saving in transit time. Receiving your refund by direct deposit reduces the possibility of lost, stolen or destroyed cheques as well as other possible delays that currently exist with the mail distribution process.

To take advantage of GST/HST Direct Deposit, complete Form GST 469, *Direct Deposit Request* which can be obtained at all CRA tax services offices and tax centres.

To apply you must complete Parts A, B and C of the application form. Enter your identification information in Part A. In Part B you must provide either a void blank cheque, or the identification numbers of your financial institution, branch, and account numbers as well as the name(s) of the account holders. In Part C the account holder *must* sign the certification area of the form. For these reasons, applying for direct deposit cannot be done over the telephone.

You may choose to have your refund payment deposited in your account at any bank, credit union or other registered financial institution in Canada provided the identified account holds Canadian funds.

**Notice to excise duty licensees**

All excise duty licences under the *Excise Act, 2001* are valid for a period of two years. Excise duty licensees are reminded that they must apply for renewal of licences issued pursuant to *Excise Act, 2001* not less than thirty days prior to the expiration of the licence. Licences issued with an effective date of July 1, 2003 will expire on June 30, 2005. Each licensee must apply for a renewal of their licence by May 31, 2005, using the form L63, *Licence and Registration Application Excise Act, 2001*.

For additional information on this topic, refer to Excise Duty Memorandum 2.2.1, *Obtaining and Renewing a Licence*.



### Prescribed rates of interest

The prescribed annual rate of interest in effect from January 1, 2005 to March 31, 2005, with respect to the GST/HST and the air travellers security charge (ATSC) is set at 2.4333% . Interest and penalty compound daily.

The prescribed annual rate of interest on amounts of income tax, excise tax and excise duty (except excise duty on beer) payable to the Minister (i.e., arrears and instalment payments) is established at 7%. The prescribed interest rate on amounts owed by the Minister (i.e., refunds) is established at 5%. These rates compound daily.

The prescribed annual rate of interest respecting excise duty on beer accounts is set at 5% for the period January 1, 2005 to March 31, 2005. Penalty compounds monthly and interest compounds daily.

Period	GST/HST ATSC		Income Tax, Excise Tax, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)	
	Interest	Penalty	Refund Interest	Arrears and Instalment Interest	Interest	Penalty
<b>2005</b>						
January 1 – March 31	2.4333 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %
<b>2004</b>						
October 1 – December 31	2.3870 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %
July 1 – September 30	2.3870 %	6.0 %	4.0 %	6.0 %	4.0 %	6.0 %
April 1 – June 30	2.4132 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %
January 1 – March 31	2.4132 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %

Prescribed interest rates are adjusted every calendar quarter.

Rates of interest for previous periods are available on the CRA Web site.

**What's new in publications*****GST/HST Info Sheets***

GI - 009	Consigned Goods
GI - 010	Auctioneers
GI - 011	Water Haulers

***GST/HST Guides***

RC4033	General Application for GST/HST Rebates
RC4072	First Nations Tax (FNT)

***Technical Information Bulletins***

B-092	Substantial Renovations and the GST/HST New Housing Rebate
-------	--

***GST/HST Forms***

GST189	General Application for Rebate of GST/HST
GST17	Election Concerning the Provision of a Residence or Lodging at a Remote Work Site
GST30	Election for Passenger Vehicles or aircraft to be Deemed to be Used Exclusively in Non-Commercial Activities

All GST/HST, Excise Duty and Excise Taxes and Special Levies publications can be found on the CRA Web site at: [www.cra-arc.gc.ca/tax/technical/menu-e.html](http://www.cra-arc.gc.ca/tax/technical/menu-e.html).

**GST/HST ENQUIRIES**

To make enquiries regarding your GST/HST account, call Business Enquiries at 1-800-959-5525

To make enquiries regarding the status of specific GST/HST domestic rebate claims, call  
1-800-565-9353

To make enquiries regarding the status of visitor rebate claims, call 1-800-668-4748

To obtain copies of forms and publications, call 1-800-959-2221

If you are in the Province of Québec, please call the following toll-free number:  
1-800-567-4692 (Revenu Québec)

The *GST/HST News* is published quarterly and highlights recent developments in the administration of the Goods and Services Tax (GST) and Harmonized Sales Tax (HST) as well as excise taxes and duties. This publication is provided for information purposes only and does not replace the law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Canada Revenue Agency (CRA) tax services office or call Business Enquiries at 1-800-959-5525. Comments or suggestions about the newsletter should be sent to the Editor, *GST/HST News*, Policy and Planning Branch, CRA, Ottawa, Ontario K1A 0L5. ISSN 1183-689X

# Excise and GST/HST News

No. 56

Spring 2005

## Table of Contents

New name for the <i>GST/HST News</i> .....	1
First Nations Advisory Committee .....	1
Bill C-43 – Budget 2005 .....	2
GST/HST health care rebate .....	2
Directors' liability for GST/HST net tax refunds .....	3
GST/HST Web registry.....	3
Tobacco taxation compliance and enforcement .....	3
Air travellers security charge (ATSC) .....	3
Excise tax on jewellery .....	4
Denatured and Specially Denatured Alcohol Regulations.....	5
Notice to excise duty licensees .....	5
Forms Distribution Centre – Reminder.....	5
Real property transactions.....	6
Prescribed rates of interest .....	7
File your GST/HST return electronically.....	8
What's new in publications.....	9

## New name for the *GST/HST News*

The *GST/HST News* has been re-named the *Excise and GST/HST News*. This new title more accurately reflects the name and activities of the Excise and GST/HST Rulings Directorate and the services we provide.

## First Nations Advisory Committee

On February 1, 2005 the Minister of National Revenue and the Assembly of First Nations (AFN) National Chief announced the creation of a First Nations Advisory Committee (FNAC) to provide the CRA with advice on new and existing CRA initiatives and to provide a forum to identify and address tax and benefit administration issues affecting First Nations peoples.

**More Ways to Serve You!**  
**Pour vous servir encore mieux!**

La version française de ce bulletin est intitulée  
*Nouvelles de l'accise et de la TPS/TVH.*



Canada Revenue  
Agency

Agence du revenu  
du Canada

Canada



This committee will help the CRA ensure its procedures and services effectively support First Nations peoples in accessing benefits such as the Canada Child Tax Benefit and the GST/HST credit while recognizing their rights to certain tax exemptions. The FNAC will be a useful and constructive forum to discuss issues of mutual concern.

The AFN has worked in partnership with the CRA in developing the mandate of the Committee as well as defining the roles and responsibilities of Committee members. The Committee will be co-chaired by a representative of the CRA and a First Nations representative who will be selected by and from the First Nations representatives on the Committee. A majority of the Committee will be First Nations peoples selected from all regions of the country.

The CRA news release of this announcement can be found on the CRA Web site in the media room menu.

### **Bill C-43 – Budget 2005**

The *Federal Budget* tabled by the Minister of Finance on February 23, 2005 included several proposed measures relating to GST/HST, excise tax and the air travellers security charge. The following is a brief synopsis of these proposed measures. These measures were subsequently included in Bill C-43 which received first reading in the House of Commons on March 24, 2005. For more detailed information please refer to the Department of Finance Web site dedicated to the Budget 2005 at this address: [www.fin.gc.ca](http://www.fin.gc.ca)

#### **GST/HST health care rebate**

Some services formerly provided by hospitals are now being carried out by other non-profit health care institutions. These other non-profit institutions currently are only entitled to a 50% GST/HST rebate rather than the 83% rebate available to hospitals.

The February 23, 2005 budget proposes, effective January 1, 2005, to extend the application of the 83% rebate to eligible non-profit health care organizations that provide health care services similar to those traditionally performed in hospitals. The 83% rebate applies to the GST and the federal component of the HST.

Eligible organizations include licensed, provincially recognized and funded non-profit facilities such as day hospitals and community health centres. As well, charities and provincially funded non-profit organizations that provide support services to hospitals and to certain health care facilities will be eligible for the 83% rebate.

Activities such as medical care to individuals in their homes will be eligible for the 83% rebate when provided by the organizations described above. As well, certain support activities such as centralized laundry and in-patient meals provided to hospitals and to certain health care facilities will be eligible for the 83% rebate when provided by the organizations described above.

Each HST participating province will be responsible for determining the rate of rebate for the provincial component of the HST with respect to eligible non-profit entities affected by this proposal.

**New remittance rates**

The budget also proposes new remittance rates under the *Streamlined Accounting (GST/HST) Regulations* for affected eligible non-profit entities. These rates would be the same as the current remittance rates for hospital authorities. The new rates apply to reporting periods that end after 2004. However, they will not apply to reporting periods that include January 1, 2005, in respect of a supply for which consideration was paid or became payable before that date.

**Directors' liability for GST/HST net tax refunds**

Currently, the GST/HST directors' liability provisions only apply in respect of a corporation's unremitted net tax. A director's liability only arises where the director has not exercised due diligence and the amounts are otherwise unrecoverable from the corporation. The budget proposes to extend this liability to overpaid net tax refunds paid on or after Royal Assent.

**GST/HST Web registry**

For the purposes of claiming input tax credits (ITCs), a GST/HST registrant must obtain the GST/HST registration number of the supplier from whom they are purchasing goods or services. To help the registrant verify a supplier's GST/HST registration status, the budget proposes that the CRA create a publicly accessible Web-based GST/HST registry.

In the future, a user of the database should be able to enter information about the supplier such as their business number and business name and the system will either confirm or deny that the supplier is registered for GST/HST under that business number. The registry will not display private registrant information. It is intended that the registry will be operational within 12 months after this measure receives Royal Assent.

**Tobacco taxation compliance and enforcement**

The budget announced new funding over the next five years to enhance federal tobacco tax compliance and enforcement. These funds will be used to implement the following three strategies:

- enhancements to the stamping and marking regime for manufactured tobacco products using new identifiers;
- additional excise officers to ensure more frequent inspection of tobacco manufacturers; and
- increased monitoring of raw leaf tobacco and new tobacco tracking mechanisms.

**Air travellers security charge (ATSC)**

The budget proposes that for airline tickets purchased after February 2005, the following rates of the ATSC will apply:

For domestic air travel acquired in Canada, where the GST/HST applies at the rate of 7% or 15% for the air transportation service, the ATSC is \$4.67 for each chargeable emplanement to a maximum of \$9.35. Where the GST/HST does not apply, the ATSC is \$5 for each chargeable emplanement to a maximum of \$10.

For air travel to a destination outside Canada but within the continental zone (i.e., Canada, the United States except Hawaii and the Islands of St. Pierre and Miquelon), where the GST/HST applies at the rate of 7% or 15%, the ATSC is \$7.94 for each chargeable emplanement to a maximum of \$15.89. Where the GST/HST does not apply, the ATSC is \$8.50 for each chargeable emplanement to a maximum of \$17.

For air travel to destinations outside the continental zone, the ATSC is \$17 where there is a chargeable emplanement.

These reduced ATSC rates apply to air travel purchased on or after March 1, 2005, that includes a chargeable emplanement on or after March 1, 2005. Please note that there will be no refund of amounts paid before March 1, 2005.

Please refer to ET/SL Notice #54, *Notice to all Air Carriers: Rate Reductions for the Air Travellers Security Charge* for more information.

### **Excise tax on jewellery**

The budget proposes to phase out the current 10% excise tax that applies to the following jewellery items:

- clocks and watches;
- articles of all kinds made in whole or in part of natural shells and semi-precious stones;
- jewellery, including diamonds and other precious and semi-precious stones for personal use or for adornment of the person; and
- goldsmiths' and silversmiths' products.

The rate of excise tax on taxable importations of the above-mentioned goods, and charged on deliveries of such goods to purchasers by all licensed manufacturers and wholesalers of jewellery, (including licensed retail jewellers), will decrease in accordance with the following graduated schedule:

Effective Date	Reduced To
February 24, 2005	8 %
March 1, 2006	6 %
March 1, 2007	4 %
March 1, 2008	2 %
March 1, 2009	0 %

These rates will apply to deliveries or importations on or after the above effective dates.

All licensed manufacturers and wholesalers of jewellery will be provided with further information regarding the cancellation of their excise tax licences early in 2009.

Please refer to ET/SL Notice #0053, *Notice to all Importers and Licensed Jewellery Manufacturers and Wholesalers under the Excise Tax Act, Phase out of the Excise Tax on Jewellery Products* for more information.



**Denatured and Specially Denatured Alcohol Regulations**

The *Denatured and Specially Denatured Alcohol Regulations* have been approved and were published in Part II of the *Canada Gazette* on February 23, 2005. The Regulations are available on the CRA Web site at: [www.cra-arc.gc.ca/tax/technical/act2001list-e.html](http://www.cra-arc.gc.ca/tax/technical/act2001list-e.html)

Information on proposed amendments to the definitions of “gasoline”, “diesel fuel”, and “petroleum derivative” in these regulations has been published in Excise Duty Notice EDN6, *Proposed Amendments to the Denatured and Specially Denatured Alcohol Regulations*. This Notice is available on the CRA Web site at: [www.cra-arc.gc.ca/menu/EXAN-e.html](http://www.cra-arc.gc.ca/menu/EXAN-e.html)

**Notice to excise duty licensees**

Excise duty licences under the *Excise Act, 2001* are valid for a period of two years. Excise duty licensees are reminded that they must apply for a renewal of licences issued pursuant to *Excise Act, 2001* not less than thirty days prior to the expiration of the licence. Licences issued with an effective date of July 1, 2003, will expire on June 30, 2005. Each licensee must apply for a renewal of their licence by May 31, 2005, using the form L63, *Licence and Registration Application Excise Act, 2001*.

For additional information on this topic, refer to Excise Duty Memorandum 2.2.1, *Obtaining and Renewing a Licence*.

**Forms Distribution Centre – Reminder**

For more timely service, clients who need copies of forms should call the Forms Distribution Centre directly instead of calling the general Business Enquiries line.

Clients in Canada may call the Forms Distribution Centre at 1-800-959-2221 for service in English. For service in French, please call 1-800-959-3376. Clients outside of Canada may call (613) 946-0623.

Clients with access to the Internet can print their own copies of most forms by finding them on the CRA Web site at: [www.cra.gc.ca/forms](http://www.cra.gc.ca/forms)

## Real property transactions

Spring is a popular time of year for people to sell or purchase real property, whether to expand their business operations or for personal use.

Before purchasing or selling real property, inform yourself about how the GST/HST might apply to your particular situation. The factors to consider will differ depending on whether you are contemplating the construction of a new home on vacant land that you own, the purchase of a new home from a residential homebuilder, the purchase of vacant land, the purchase of an existing building that is used entirely in commercial activity, or perhaps one that has mixed use. It also matters if you are a GST/HST registrant and whether or not you are using the real property in your commercial activity.

As a purchaser of real property, you will also need to know other important factors before you can determine whether the GST/HST applies to the transaction. For example:

- What is the status of the vendor? For instance, is the vendor an individual, a partnership, a corporation, or another entity such as a charity or non-profit organization?
- What is the current use of the real property by the vendor, or the vendor's purposes in selling it to you?
- What is your intended use of the property after the transaction is complete?

A GST/HST rulings centre can address your concerns about the GST/HST before you make a decision to purchase or sell real property. If you have a technical enquiry with respect to the GST/HST, please phone this toll-free service at 1-800-959-8287. A GST/HST rulings officer can help you with your transaction by reviewing the factors that are key to the GST/HST status of the real property transaction and provide you with information and guidance on our publications.

To research how the GST/HST may apply to your real property transaction please refer to GST/HST Memoranda Series, Chapter 19, *Special Sectors – Real Property* on the CRA Web site. GST/HST info sheets also discuss real property issues such as sales of farmland and vacant land as well as sales of homes by individuals.

### Prescribed rates of interest

The prescribed annual rate of interest in effect from April 1, 2005 to June 30, 2005, with respect to the GST/HST and the air travellers security charge (ATSC) is set at 2.4066% . Interest and penalty compound daily. To calculate interest, divide that annualized rate by 365 (366 in a leap year) and apply it daily.

The prescribed annual rate of interest on amounts of income tax, excise tax and excise duty (except excise duty on beer) payable to the Minister (i.e., arrears and instalment payments) is established at 7%. The prescribed interest rate on amounts owed by the Minister (i.e., refunds) is established at 5%. These rates compound daily.

The prescribed annual rate of interest respecting excise duty on beer accounts is set at 5% for the period April 1, 2005 to June 30, 2005. Penalty compounds monthly and interest compounds daily.

Period	GST/HST ATSC (per annum)		Income Tax, Excise Tax, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)	
	Interest	Penalty	Refund Interest	Arrears and Instalment Interest	Interest	Penalty
<b>2005</b>						
April 1 – June 30	2.4066 %	6.0 %	5.0 %	7.0 %	5.0%	6.0 %
January 1 – March 31	2.4333 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %
<b>2004</b>						
October 1 – December 31	2.3870 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %
July 1 – September 30	2.3870 %	6.0 %	4.0 %	6.0 %	4.0 %	6.0 %
April 1 – June 30	2.4132 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %
January 1 – March 31	2.4132 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %

Prescribed interest rates are adjusted every calendar quarter.

Rates of interest for previous periods are available on the CRA Web site.



**File your GST/HST return electronically**

The CRA now offers three methods to electronically file your GST/HST return: GST/HST TELEFILE, GST/HST-EDI, and our newest filing option, GST/HST NETFILE.

If you are filing a return with a nil balance or a refund of \$10,000 or less, you can do so quickly, easily and securely over the Internet with GST/HST NETFILE, or by using a touch-tone phone with GST/HST TELEFILE. It is possible to make the whole transaction a paperless one by signing up for GST/HST direct deposit using Form GST469, *Direct Deposit Request*. Your refund will be deposited directly into your account at your financial institution.

If an access code is printed on your personalized GST/HST return, you are invited to use GST/HST NETFILE or GST/HST TELEFILE. Have your completed working copy of your return at hand and access our GST/HST NETFILE Web site ([www.cra.gc.ca/gsthst-netfile](http://www.cra.gc.ca/gsthst-netfile)) or call 1-800-959-2038 for GST/HST TELEFILE. At the end of your filing session, you will receive a confirmation number as proof that we have received your return.

GST/HST NETFILE and GST/HST TELEFILE are available Monday to Friday from 8:30 a.m. to 8:00 p.m., and Saturday from 8:30 a.m. to 5:00 p.m., local time. These services are not available on Sunday or on statutory holidays.

Our third electronic filing option, GST/HST-EDI, allows you to electronically file both your return and payment (if applicable) through a participating Canadian financial institution. To find out if your financial institution offers this service, contact your local branch or visit our GST/HST-EDI Web site at: [www.cra-arc.gc.ca/eservices/gsthst-edi/menu-e.html](http://www.cra-arc.gc.ca/eservices/gsthst-edi/menu-e.html)

For complete details on filing your GST/HST return electronically, visit our Web site at: [www.cra-arc.gc.ca/eservices/tax/business/menu-e.html](http://www.cra-arc.gc.ca/eservices/tax/business/menu-e.html)

**What's new in publications*****GST/HST Guides***

- RC4247 The Special Quick Method of Accounting for Public Service Bodies  
- Includes Form GST287
- RC4405 GST/HST Rulings – Experts in GST/HST Legislation

***GST/HST Memoranda Series***

- 8.1 General Eligibility Rules

***GST/HST Policy Statements***

- P-051R2 Carrying on business in Canada
- P-056R2 Insurance adjustment services (formerly “Licensing of insurance adjusters”)
- P-208R Meaning of permanent establishment in subsection 123(1) of the Excise Tax Act

***Excise Duty Memoranda***

- EDM4.1.2 Small Producers of Wine (revised)
- EDM5.1.1 Denatured Alcohol and Specially Denatured Alcohol
- EDM10.1.6 Completing an Excise Duty Return - Wine Licensee (revised)

***Excise Taxes and Special Levies Notices***

- ETSL52 Notice to All Air Carriers: Changes to the List of Airports Where the Air Travellers Security Charge is Levied
- ETSL53 Notice to All Importers and Licensed Jewellery Manufacturers and Wholesalers Under the Excise Tax Act - Phase Out of the Excise Tax on Jewellery Products
- ETSL54 Notice to all Air Carriers: Rate Reductions for the Air Travellers Security Charge

All GST/HST, Excise Duty and Excise Taxes and Special Levies publications can be found on the CRA Web site at: [www.cra-arc.gc.ca/tax/technical/menu-e.html](http://www.cra-arc.gc.ca/tax/technical/menu-e.html)

**GST/HST ENQUIRIES**

To make enquiries regarding your GST/HST account, call Business Enquiries at 1-800-959-5525

To make enquiries regarding the status of specific GST/HST domestic rebate claims, call  
1-800-565-9353

To make enquiries regarding the status of visitor rebate claims, call 1-800-668-4748

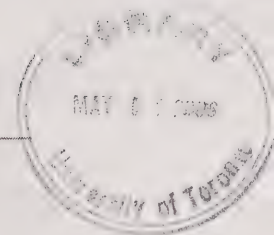
To obtain copies of forms and publications, call 1-800-959-2221

If you are in Quebec please call the following toll-free number:  
1-800-567-4692 (Revenu Québec)

The *GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST) as well as excise taxes and duties. This publication is provided for information purposes only and does not replace the law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Canada Revenue Agency (CRA) tax services office or call Business Enquiries at 1-800-959-5525. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Policy and Planning Branch, CRA, Ottawa, Ontario K1A 0L5. ISSN 1183-689X



# Excise and GST/HST News



No. 57

Summer 2005

## Table of Contents

Tobacco compliance strategy .....	1
Supplies of Levonorgestrel .....	2
Supplies of health care services .....	2
Relief from GST/HST for non-residents attending domestic conventions .....	3
Employee or self-employed? .....	4
Keeping electronic records.....	5
Voluntary direct deposit for GST/HST registrants .....	5
Northwest Territories – Tlicho First Nation .....	6
Prescribed rates of interest .....	7
What's new in publications.....	8

## Tobacco compliance strategy

Taxing tobacco products at a high and sustainable level is an important element of the federal government's health strategy to discourage smoking among Canadians. Enhancements to tobacco tax compliance programs will ensure that the tobacco tax system continues to support the government's health goals.

The *Federal Budget* tabled on February 23, 2005, announced new funding of \$8 million over the next five years to be allocated to compliance enhancements that will be implemented at three different stages of the production and distribution process:

1. Proposed enhancements to the stamping and marking regime for manufactured tobacco products using new identifiers that will clearly indicate whether excise duty has been paid.
2. Increased monitoring of raw leaf tobacco and new tracking mechanisms will better control the supply of raw leaf tobacco from grower to manufacturer.
3. Additional excise officers to allow for improved inspection and audit of tobacco manufacturers.

For more information on tobacco products please refer to the *Excise Act, 2001*, technical information menu on the CRA excise duty Web site and the Federal Budget 2005 on Finance Canada Web site at this address: <http://www.fin.gc.ca/budtoce/2005/budliste.htm>

**More Ways to Serve You!**  
**Pour vous servir encore mieux !**

La version française de ce bulletin est intitulée  
*Nouvelles de l'accise et de la TPS/TVH.*



Canada Revenue  
Agency

Agence du revenu  
du Canada

**Canada**

### **Supplies of Levonorgestrel**

The *Food and Drug Regulations* were amended effective April 19, 2005 to permit Levonorgestrel 0.75 mg, also known as the "morning after pill", to be sold without a prescription and to be dispensed from behind the counter in pharmacies. The *Canada Gazette* published this amendment, SOR/2005-105, on May 4, 2005.

Under the *Excise Tax Act*, prescription drugs are generally zero-rated (taxed at 0%). Because Levonorgestrel is now available to consumers without a prescription, manufacturers, pharmaceutical companies, pharmacies and other suppliers of Levonorgestrel will be required to charge the 7% GST or 15% HST on sales of this drug. Consumers will be required to pay the tax when they purchase this drug. Importations of Levonorgestrel will also be subject to GST/HST.

For more information on Levonorgestrel, please refer to the Health Canada News Release 2005-25 on the Health Canada Web site at this address:  
[http://www.hc-sc.gc.ca/english/media/releases/2005/2005\\_25.html](http://www.hc-sc.gc.ca/english/media/releases/2005/2005_25.html)

### **Supplies of health care services**

Under the *Excise Tax Act* (the Act), exemptions from the GST/HST for supplies of medical and certain other health care services are generally limited to those made by suppliers who are engaged in the practice of a particular profession and who are licensed or certified under the laws of a province to practise the particular profession. These suppliers are defined in the Act.

For instance, a supply of a consultative, treatment, diagnostic or other health care service rendered to an individual is exempt for GST/HST purposes when a medical practitioner makes the supply. A medical practitioner is defined as a person who is licensed under the laws of a province to practice the profession of medicine or dentistry.

In addition, a supply of an optometric, chiropractic, physiotherapy, chiropodic, podiatric, osteopathic, audiological, speech-language pathology, occupational therapy, or psychological service rendered to an individual is exempt when a practitioner supplies the service. A practitioner is defined in the Act as a person who practises the profession relevant to one of these services and who is licensed or otherwise certified to practise that profession (if required in the province where the service is supplied) or has the qualifications equivalent to those necessary to be so licensed or certified in another province (if not required in the province where the service is supplied). Please note that it is possible for a corporation to qualify as a medical practitioner or practitioner.

### **Health care services supplied by corporations that are not medical practitioners or practitioners**

The exemptions for supplies of the above-noted health care services do not apply to persons who do not qualify as medical practitioners or practitioners. Thus, the tax status of a health care service can vary depending on the supplier.

Corporations may supply health care services through their employees or through independent contractors they engage to perform services on their behalf. However, corporations who do not meet the definition of medical practitioner or practitioner should be aware that their supplies may not fall within the exemptions in the Act.

Although an employee or subcontractor engaged by a corporation may hold a licence to practise a particular health care profession, this licence does not confer any benefit on the corporation for purposes of the Act. A corporation is a separate legal entity from its owners, directors, subcontractors and employees. The tax status of a corporation's supplies is evaluated separately from the activities of its owners, directors, subcontractors and employees.

### **Corporations and independent contractors**

In the health care field, corporations established to provide health care services to individuals often subcontract with independent contractors to provide these services. Because the GST/HST is a multi-stage tax, each transaction is a supply. This means that when a corporation enters into a contract to obtain the services of an independent contractor, the result is that the contractor has made a supply to the corporation, not to the individual. The provision of the health care service to the individual is made by the corporation.

It is important to note that if the independent contractor's supply to the corporation is exempt, this exemption does not flow through to the corporation's supply. The tax status of the corporation's supply to its client is determined independently of the contractor's supply to the corporation because for purposes of the GST/HST, the corporation's supply to its client is a distinct supply from the independent contractor's supply to the corporation.

Please contact your GST/HST Rulings Centre for information on how GST/HST applies to your supplies of health care services.

### **Relief from GST/HST for non-residents attending domestic conventions**

When a GST/HST registrant sponsor of a convention held in Canada makes a taxable supply of an admission to a non-resident person, certain amounts are not included in the calculation of the consideration for the admission, when determining the GST/HST payable on the admission.

The following amounts should not be included:

- the part of the consideration for admission that is reasonably attributable to providing the convention facility or related convention supplies, other than related convention supplies that are food and beverages or are property or services supplied under a contract for catering; and
- 50% of the part of the consideration for the admission that is reasonably attributable to providing related convention supplies that are food and beverages or are supplied under a contract for catering.

The sponsor should then calculate GST/HST based on the remaining consideration.

Usually a sponsor will use the percentage of each of the above expenses in relation to the total event expenses to determine the part of the consideration for the admission that is subject to tax.

#### ***Example:***

A sponsor's total expenses for a domestic convention are \$100,000. Of that, \$30,000 (30%) is for providing the convention facility and related convention supplies and \$20,000 (20%) is for providing food and beverages that are related convention supplies.



If the sponsor charges \$100 admission to the convention, a non-resident delegate would pay GST/HST on \$60.

**Calculations:**

Admission	\$100
less (\$100 × 30%)	30
less (\$100 × 20% × 50%)	10
<b>Admission subject to tax</b>	<b>\$ 60</b>

The amount of the admission subject to tax can also be determined as follows:

$\$100 \times 60\% = \$60$ . 60% represents the percentage of the total consideration subject to tax after deducting:

- 30% relating to providing the convention facility and related convention supplies, and
- 10% relating to providing food and beverages (50% of 20%) that are related convention supplies.

Further information on related convention supplies is available in the Guide RC4036, *Information for the Travel and Convention Industry*, which is available on the CRA Web site at : [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca).

### **Employee or self-employed?**

The criteria for determining if an employee/employer relationship exists are the same for income tax and GST/HST purposes. You need to examine and analyze the terms and conditions of the worker's employment in order to determine if a worker is an employee or self-employed, and if there is an employer-employee relationship.

The courts have developed a number of tests that may be used to determine whether an employee-employer relationship exists. The four factors used are:

- control
- ownership of tools
- opportunity for profit or risk of loss
- integration

For a discussion of these factors refer to our publication RC4110, *Employee or Self-Employed?*. This publication provides a detailed checklist for each factor. If you are still in doubt, please contact your tax services office.

If a worker is determined to be self-employed (i.e., not an employee) and has exceeded the small supplier threshold, he or she will have to register for the GST/HST. A person has exceeded this threshold when the person's total taxable revenues exceed \$30,000 in a single calendar quarter or in the previous four consecutive calendar quarters.

"Total taxable revenues" means worldwide revenues from supplies of goods and services subject to GST/HST (or which would be if supplied in Canada) at a rate of 0% (zero-rated), 7% or 15%. However, it does not include revenue from goodwill, financial services, or sales of capital property. You also have to include the total taxable revenues of all your associates in this calculation.

Once you have established whether an employee/employer relationship exists, please contact your GST/HST Rulings Centre if you need more information on the implications for GST/HST purposes.

### **Keeping electronic records**

Anyone carrying on a business or engaged in a commercial activity in Canada, required to file a GST/HST return, or making applications for rebates or refunds must keep adequate records either in English or French.

The CRA recognizes that business records are increasingly maintained in electronic format. It is important for you to keep not only the traditional paper records, but also those created through computerized business systems such as accounting systems, point of sale systems and Internet based systems.

Records, including supporting documents, must provide sufficient details to determine tax obligations and entitlements. Your records must be kept at your place of business or residence in Canada, unless the CRA gives you permission to maintain them at a specific location outside Canada. They must be maintained for a period of six years after the year to which they relate unless permission to destroy them is obtained from the CRA. When requested by CRA staff, electronic records must also be provided in an accessible and readable format.

To help businesses understand their obligations to keep proper records, the CRA has published a guide RC4099, *Keeping Records*. The CRA has also updated GST/HST Memorandum 15.1, *General Requirements for Books and Records* as well as GST/HST Memorandum 15.2, *Computerized Records* to provide more technical information.

If you have any questions concerning electronic record keeping practices, please contact a CRA tax services office.

### **Voluntary direct deposit for GST/HST registrants**

The CRA is encouraging all new GST/HST registrants to choose the direct deposit payment option for GST/HST refunds. GST/HST registrants choosing this payment option will have their refunds deposited into their chosen account at their financial institution on the same day that the cheque would have been mailed out.

In addition to being a more efficient alternative to paper cheques, direct deposit is also a confidential, convenient and dependable way of receiving a refund. You receive the benefit of the direct deposit payment on the payment date of the refund, which could result in a one to four day saving in transit time. Receiving your refund by direct deposit reduces the possibility of lost, stolen or destroyed cheques as well as other delays that currently may occur on occasion with the mail distribution process.

To take advantage of GST/HST Direct Deposit, complete Form GST 469, *Direct Deposit Request*, which can be obtained at all CRA tax services offices, tax centres and the CRA Web site.

To apply you must complete Parts A, B and C of the application form. Enter your identification information in Part A. In Part B you must provide either a void blank cheque, or the identification numbers of your financial institution, branch, and account numbers as well as the name(s) of the account holders. In Part C the account holder *must* sign the certification area of the form. For these reasons, applying for direct deposit cannot be done over the telephone.

You may choose to have your refund payment deposited in your account at any bank, credit union or other registered financial institution in Canada provided the identified account holds Canadian funds.

### Northwest Territories – Tlicho First Nation

The *Tlicho Land Claims and Self-Government Act* received Royal Assent February 15, 2005. Under an Order in Council, P.C. 2005–1054, the legislation is to be effective as of August 4, 2005.

As a result of this Act the tax exemption under the *Indian Act* will no longer apply to the Tlicho First Nation bands and their citizens. This in turn means that the tax relief outlined in Technical Information Bulletin B-039R, *GST Administrative Policy: Application of GST to Indians* is no longer applicable to the Tlicho First Nation bands and their citizens.

On the effective date Tlicho citizens who are identified on their Certificate of Indian Status cards as members of the following four Indian bands are not entitled to GST relief when acquiring goods and services.

<u>First Nation</u>	<u>Former Band Number</u>
The Dogrib Rae	765
The Wha Ti First Nation	769
The Gameti First Nation	773
The Dechi Laot'i First Nation	774

### GST Self-Government Refund Program

With the coming into force of the *Tlicho Land Claims and Self-Government Act*, the Dogrib Treaty 11 Council and their four member Indian bands are succeeded by the Tlicho and Tlicho Community Governments. There is no longer any upfront GST relief. However, the *Tlicho Tax Treatment Agreement* provides for a GST self-government refund. A 100% refund is available for that portion of GST paid on goods and services acquired by the Tlicho Government and its eligible entities that is not recoverable as an input tax credit and provided the other eligibility conditions are met.

The Tlicho Government and its eligible entities may claim the refund using Form GST66, *GST/HST Public Service Bodies' Rebate and GST Self-Government Refund*. The claim must be filed within four years after the tax was paid.



### Prescribed rates of interest

The prescribed annual rate of interest in effect from July 1, 2005 to September 30, 2005, with respect to the GST/HST and the air travellers security charge (ATSC) is set at 2.3804% . Interest and penalty compound daily. To calculate interest, divide the annual rate by 365 (366 in a leap year) and apply it daily to the previous day's compound balance.

The prescribed annual rate of interest in effect from July 1, 2005 to September 30, 2005, with respect to amounts of income tax, excise tax and excise duty (except excise duty on beer) payable to the Minister (i.e., arrears and instalment payments) is established at 7%. The prescribed interest rate on amounts owed by the Minister (i.e., refunds) is established at 5%. These rates compound daily.

The prescribed annual rate of interest respecting excise duty on beer accounts is set at 5% for the period July 1, 2005 to September 30, 2005. Penalty compounds monthly and interest compounds daily.

Period	GST/HST ATSC (per annum)		Income Tax, Excise Tax, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)	
	Interest	Penalty	Refund Interest	Arrears and Instalment Interest	Interest	Penalty
<b>2005</b>						
July 1 – September 30	2.3804 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %
April 1 – June 30	2.4066 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %
January 1 – March 31	2.4333 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %
<b>2004</b>						
October 1 – December 31	2.3870 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %
July 1 – September 30	2.3870 %	6.0 %	4.0 %	6.0 %	4.0 %	6.0 %
April 1 – June 30	2.4132 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %
January 1 – March 31	2.4132 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %

Prescribed interest rates are adjusted every calendar quarter.

Rates of interest for previous periods are available on the CRA Web site.

**What's new in publications*****GST/HST Guides***

RC4210      GST/HST Credit (Including related provincial credits and benefits) For the period from July 2005 to June 2006

***GST/HST Memoranda Series***

2.7            Cancellation of Registration (revised)  
15.1          General Requirements for Books and Records (revised)  
15.2          Computerized Records (revised)

***Excise Duty Memoranda***

EDM4.1.1      Producers and Packagers of Wine (revised)

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at: [www.cra-arc.gc.ca/tax/technical/menu-e.html](http://www.cra-arc.gc.ca/tax/technical/menu-e.html)

**GST/HST Enquiries**

To make enquiries regarding your GST/HST account, call Business Enquiries at 1-800-959-5525

To make enquiries regarding the status of specific GST/HST domestic rebate claims, call  
1-800-565-9353

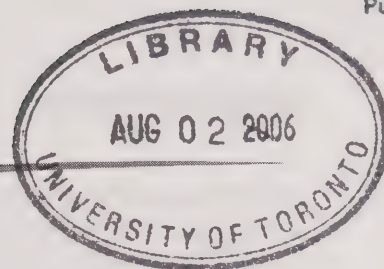
To make enquiries regarding the status of visitor rebate claims, call 1-800-668-4748

To obtain copies of forms and publications, call 1-800-959-2221

If you are in Quebec please call the following toll-free number:  
1-800-567-4692 (Revenu Québec)

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST) as well as excise taxes and duties. This publication is provided for information purposes only and does not replace the law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Canada Revenue Agency (CRA) tax services office or call Business Enquiries at 1-800-959-5525. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Policy and Planning Branch, CRA, Ottawa, Ontario K1A 0L5. ISSN 1183-689X

# Excise and GST/HST News



No. 58

Fall 2005

## Table of Contents

Bill C-33 and Bill C-43 receive Royal Assent.....	1
10% tax on insurance premiums (other than marine) .....	2
Procurement cards and claiming input tax credits .....	2
Third party authorization for excise and GST/HST rulings.....	4
GST/HST content on the CRA Web site .....	5
File your GST/HST return electronically.....	6
Prescribed rates of interest .....	7
What's new in publications.....	8

## Bill C-33 and Bill C-43 receive Royal Assent

Both Bill C-33 (the Budget Implementation Act, 2004, No. 2) and Bill C-43 (the Budget Implementation Act, 2005) have received Royal Assent.

Bill C-33, a second Act to implement certain provisions of the federal budget tabled in Parliament on March 23, 2004 received Royal Assent on May 13, 2005. Bill C-33 includes measures to reduce the air travellers security charge and amendments to the *First Nations Goods and Services Tax Act* to facilitate the establishment of taxation arrangements between the Government of Quebec and interested Indian bands situated in Quebec.

Bill C-43, an Act to implement certain provisions of the federal budget tabled in Parliament on February 23, 2005, received Royal Assent on June 29, 2005. Bill C-43 includes measures relating to directors' liability for GST/HST net refunds, the confirmation of a person's GST/HST registration status, the excise tax on jewellery, a further rate reduction for the air travellers security charge as well as the extension of the 83% health care rebate to eligible charities and non-profit health care organizations that provide health care services similar to those traditionally performed in hospitals. A summary of these measures is provided in the Spring 2005 edition of the *Excise and GST/HST News* (No. 56).

Please refer to the Department of Finance Web site at the following addresses for more information on Bill C-33 ([www.fin.gc.ca/news04/04-075e.html](http://www.fin.gc.ca/news04/04-075e.html)) and Bill C-43 ([www.fin.gc.ca/news05/2005-045e.html](http://www.fin.gc.ca/news05/2005-045e.html)).

**More Ways to Serve You!**  
**Pour vous servir encore mieux !**

La version française de ce bulletin est intitulée  
*Nouvelles de l'accise et de la TPS/TVH.*



Canada Revenue  
Agency

Agence du revenu  
du Canada

**Canada**



**10% tax on insurance premiums (other than marine)**

Every person resident in Canada, including a corporation, that places insurance on risks in this country with an unauthorized insurer, or with an authorized insurer through a broker or agent outside Canada, is required to file a form B243, *Excise Tax Return – Insured* and pay a 10% tax on the net premiums. If a broker/agent has paid the tax on behalf of the insured person, form B243 must still be completed and filed by the insured person. The 10% tax is due and payable on or before April 30 of each year with respect to contracts of insurance entered into or renewed during the immediately preceding calendar year.

Contracts of life insurance, personal accident insurance, sickness insurance and insurance against marine risks are not subject to the 10% tax. Form B243 is not required to be filed where such insurance is obtained.

Where a contract of insurance (including insurance against nuclear risk) would normally be subject to the 10% tax, but is not available in Canada, an application for an exemption may be made using form E638, *Application for Exemption From Premium Taxes Imposed Under the Excise Tax Act – Part I* outlining the type of insurance purchased and the reasons why it could not be obtained in Canada. This form must be accompanied by a copy of the insurance policy and five letters of declination from authorized insurers.

The only reasons the CRA considers acceptable for purposes of this exemption are:

- the particular **class** of insurance was not available from authorized insurers; or
- the lack of market **capacity** at that particular time for that class of insurance.

Persons subject to the 10% tax on insurance premiums should be aware that if they refuse/neglect to file form B243 on time, they could be liable for a penalty equal to 5% of the unpaid tax at the expiration of the time for filing their return. Please note that the Voluntary Disclosure Program (VDP) allows, under certain circumstances, persons to correct inaccurate or incomplete information or disclose material they did not report during previous dealings with the Canada Revenue Agency, without penalty or prosecution.

For more information on the 10% tax on insurance premiums, please see ETSL36R - Basic Facts - Insurance Premiums Other Than Marine.

**Procurement cards and claiming input tax credits**

Most registrants acquiring goods and services with procurement cards cannot normally satisfy the input tax credit documentary requirements for GST/HST purposes. Generally, the statements provided by the procurement card issuers to the registrants as supporting documentation for the purchases provide only minimal information. For example, some reports do not indicate the actual amount of tax paid or payable for the supplies. In addition, many reports do not include a description of the type of goods and services acquired, nor do they include the merchant's registration number. In cases where the documentary requirements of the *Excise Tax Act* (the Act) are not satisfied, input tax credits cannot be claimed until the registrant obtains additional supporting documentation to establish the particulars of the purchases, or obtains an exemption from the documentary requirements.

To address this issue, the CRA has published an audit policy, Notice 199, *Procurement Cards – Documentary requirements for claiming input tax credits*, which discusses the treatment of procurement card purchases, the claiming of related input tax credits, and exemption from documentary requirements for GST/HST purposes. Provided certain conditions are met, eligible registrants may apply to the CRA to use ratios to claim input tax credits for purchases under \$1,000 made using procurement cards.

This policy only applies to registrants who acquire goods and services for use all or substantially all in commercial activities. As a result, entities such as municipalities, universities, schools, hospitals and financial institutions are not eligible to use the policy on procurement cards. Although the activities of provincial gaming authorities, as defined in the *Games of Chance (GST/HST) Regulations*, are all or substantially all commercial activities within the meaning of the Act, they do not claim input tax credits for their purchases related to gaming supplies. The net tax of provincial gaming authorities is determined in accordance with the special rules under these regulations. As a result, provincial gaming authorities are excluded from the application of the policy on procurement cards as well.

Registrants must apply to the Compliance Programs Branch for permission to use this policy. Persons wishing to apply for permission to use this policy or who have questions on how this policy could affect their business transactions should write to the Manager, Specialty Audit, Audit Directorate, Compliance Programs Branch, Canada Revenue Agency, 112 Kent Street, 8th floor, Place de Ville, Tower B, Ottawa, Ontario K1A 0L5.

The registrant must provide the following information with their request for exemption:

- name of the registrant, Business Number, name and telephone number of the contact person;
- a description of the registrant's activities specifying any exempt activities of the registrant, and indicating the extent of such activities;
- written confirmation from the registrant's external auditor that their internal controls for procurement cards purchases are reliable;
- description of the registrant's use of procurement cards, such as the number of procurement cards in use, the average amount of purchases made with procurement cards, and the type of purchases made with procurement cards;
- analysis of the sample data to determine the eligible purchases' ratio and the taxable purchases' ratio in accordance with the method outlined in Notice 199; and
- electronic data showing purchases made with procurement cards for the year preceding the request, for a sample period, to be submitted in Microsoft Excel format. The sample must include complete data for four full months of transactions, one month of each quarter, consistently selected. All transactions for these periods must be included.

Once the registrant has met all the conditions and the CRA has verified the sampling results and approved the eligible purchases' ratio and the taxable purchases' ratio, as described in the notice, the registrant will be allowed to claim input tax credits at the rate of 7/107 (or 15/115 for participating provinces) of the total amount of purchases appearing on the card issuers' report, to the extent of the ratios calculated in accordance with the audit policy on procurement cards. The total amount of purchases on the card issuer's report must include taxes.

The ratios will be valid for a period of five years. However, the exemption can be revoked if the registrant is not compliant with all the GST/HST provisions under the Act. The CRA can also reassess at a later date if the ratios are found to be applied incorrectly or not updated for significant changes during the period.

The exemption for purchases made using procurement cards will only apply provided **all** the conditions under this policy are met and permission has been granted to use this policy. Please refer to the CRA Notice 199, *Procurement Cards – Documentary requirements for claiming input tax credits* for a complete discussion of these conditions.

### **Third party authorization for excise and GST/HST rulings**

Sometimes a third party representative (i.e., a tax professional, an accountant, a bookkeeper, or a lawyer) will request a ruling or interpretation on behalf of a client. In such cases, the representative should provide all relevant documentation with their requests for rulings or interpretations as well as a third party authorization letter. Complete documentation ensures that the CRA can answer the request in a timely manner and that the client's specific situation is addressed in confidentiality.

A third party authorization letter should include the following information:

- the name and business number of the client;
- the signature of the client or authorized individual;
- the name, address, and telephone number of the third party (If the third party is an individual in a firm, provide both the name of the individual and that of the firm);
- the letter should be addressed to the office from which you are requesting a ruling or interpretation;
- specify the tax or duty to which the authorization applies (e.g., the GST/HST, excise duty or excise tax); and
- indicate if applicable, the specific period of time (e.g., a GST/HST reporting period(s), fiscal year, a series of excise duty fiscal months, or all periods until revoked) or a specific transaction or series of transactions for which the authorization is to apply.

If you wish to **revoke** a third party authorization, the letter should contain all of the information provided with the initial request for authorization.



**Sample third party authorization letter**

*I hereby authorize officials of the Canada Revenue Agency to provide:*

*with confidential information about my operation for purposes of my request for a ruling or interpretation.*

*This authorization applies to operations relating to my \_\_\_\_\_ account and applies from \_\_\_\_\_ to \_\_\_\_\_.*

*Name: \_\_\_\_\_*

*Business Number: \_\_\_\_\_*

**GST/HST content on the CRA Web site**

We are continuing to improve our Web site to better meet the needs of our clients. In response to client demand, we have just restructured and expanded the GST/HST content. The new design of the menus targets common client groups such as sole proprietors, partnerships, corporations, the construction industry, public service bodies, non-resident businesses, financial institutions, charities and governments.

GST/HST information is broken down under topics that are in line with clients' needs such as registering or de-registering, making changes to an account, responsibilities, input tax credits, taxable or exempt supplies, returns, payments and instalments, rebates, imports and exports, buying and selling a business, rulings and interpretations, objections, appeals and access to information.

The menus are also arranged to provide information for our clients who are not registrants, such as rebate claimants, individuals, Indians, Indian bands and band-empowered entities, foreign representatives and diplomatic missions, and visitors to Canada.

To look at these improvements go to the CRA home page at [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca) and click "GST/HST" under the "Business" menu.

If you have any suggestions for additions or improvement that would help the CRA further improve this GST/HST content, send an email to: [comments@smtp1.ccra-adrc.gc.ca](mailto:comments@smtp1.ccra-adrc.gc.ca)

**File your GST/HST return electronically**

The CRA now offers three methods to electronically file your GST/HST return: GST/HST NETFILE, GST/HST TELEFILE, and GST/HST-EDI. These options can help you file your return quickly, easily and securely over the Internet or by using a touch-tone phone.

You may file your GST/HST return electronically providing you are filing a return with a nil balance, you are expecting a refund of \$10,000 or less, there is no amount entered on line 111, you are not applying for a rebate and the pre-printed information on your personalized return is correct. It is possible to make the whole transaction a paperless one by signing up for GST/HST direct deposit using Form GST469, *Direct Deposit Request*. Your refund will be deposited directly into your account at your financial institution.

If an access code is printed on your personalized GST/HST return, you are invited to use GST/HST NETFILE or GST/HST TELEFILE. Have your completed working copy of your return at hand and access our GST/HST NETFILE Web site ([www.cra.gc.ca/gsthst-netfile](http://www.cra.gc.ca/gsthst-netfile)) or call 1-800-959-2038 for GST/HST TELEFILE. At the end of your filing session, you will receive a confirmation number as proof that we have received your return.

GST/HST NETFILE and GST/HST TELEFILE are available across Canada Monday to Friday from 7:00 a.m. to 11:00 p.m., eastern time and Saturday from 7:00 a.m. to 8:00 p.m., eastern time. These services are not available on Sunday or on statutory holidays.

Our third electronic filing option, GST/HST-EDI, allows you to electronically file both your return and payment (if applicable) through a participating Canadian financial institution. To find out if your financial institution offers this service, contact your local branch or visit our GST/HST-EDI Web site at: [www.cra-arc.gc.ca/eservices/gsthst-edi](http://www.cra-arc.gc.ca/eservices/gsthst-edi)

For complete details on filing your GST/HST return electronically, visit our Web site at: [www.cra-arc.gc.ca/eservices/tax/business](http://www.cra-arc.gc.ca/eservices/tax/business)

### Prescribed rates of interest

The prescribed annual rate of interest in effect from October 1, 2005 to December 31, 2005, with respect to the GST/HST and the air travellers security charge (ATSC) is set at 2.3804% . Interest and penalty compound daily. To calculate interest, divide the annual rate by 365 (366 in a leap year) and apply it daily to the previous day's compound balance.

The prescribed annual rate of interest in effect from October 1, 2005 to December 31, 2005, with respect to amounts of income tax, excise tax and excise duty (except excise duty on beer) payable to the Minister (i.e., arrears and instalment payments) is established at 7%. The prescribed interest rate on amounts owed by the Minister (i.e., refunds) is established at 5%. These rates compound daily.

The prescribed annual rate of interest respecting excise duty on beer accounts is set at 5% for the period October 1, 2005 to December 31, 2005. Penalty compounds monthly and interest compounds daily.

Period	GST/HST ATSC (per annum)		Income Tax, Excise Tax, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)	
	Interest	Penalty	Refund Interest	Arrears and Instalment Interest	Interest	Penalty
<b>2005</b>						
October 1 – December 31	2.3804 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %
July 1 – September 30	2.3804 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %
April 1 – June 30	2.4066 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %
January 1 – March 31	2.4333 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %

Prescribed interest rates are adjusted every calendar quarter.

Rates of interest for previous periods are available on the CRA Web site.



**What's new in publications*****GST/HST Guides***

RC 4082      GST/HST Information for Charities (revised)

***GST/HST Policy Statements***

P-245      Determination of 'activities engaged in by the person in the course of operating a public hospital' for purposes of the 83% public service body rebate for hospital authorities

P-246      Remote stores and other off-reserve stores with significant sales to Indians, Indian bands and band-empowered entities

***GST/HST Technical Information Bulletins***

B-039R2      GST/HST administrative policy - Application of the GST/HST to Indians (revised)

***Excise Duty Memoranda***

EDM 2.2.4      Approved Financial Institutions and Acceptable Bonding Companies (revised)

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at: [www.cra-arc.gc.ca/tax/technical/menu-e.html](http://www.cra-arc.gc.ca/tax/technical/menu-e.html)

**GST/HST Enquiries**

To make enquiries regarding your GST/HST account, call Business Enquiries at 1-800-959-5525

To make enquiries regarding the status of specific GST/HST domestic rebate claims, call  
1-800-565-9353

To make enquiries regarding the status of visitor rebate claims, call 1-800-668-4748

To obtain copies of forms and publications, call 1-800-959-2221

If you are in Quebec please call the following toll-free number:  
1-800-567-4692 (Revenu Québec)

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST) as well as excise taxes and duties. This publication is provided for information purposes only and does not replace the law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Canada Revenue Agency (CRA) tax services office or call Business Enquiries at 1-800-959-5525. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Policy and Planning Branch, CRA, Ottawa, Ontario K1A 0L5. ISSN 1183-689X

# Excise and GST/HST News

No. 59

Winter 2006

## Table of Contents

Bill C-26 receives Royal Assent	1
Bill C-259 receives Royal Assent	2
Proposed GST/HST amendments relating to the financial services sector	2
Driver and trainer fees in Standardbred horse racing	3
Private campground owners and the GST/HST status of property tax	4
Home office expenses	4
ABM transactions	6
Labrador Inuit – a self-governing First Nation	7
FNGST for the Tlicho First Nation	8
Prescribed rates of interest	8
New GST/HST Rulings telephone service	9
What's new in publications	9

## Bill C-26 receives Royal Assent

Bill C-26, *An Act to establish the Canada Border Services Agency* (CBSA), received Royal Assent on November 3, 2005. The CBSA brings together the border services of the Canada Customs and Revenue Agency (CCRA), the Canadian Food Inspection Agency and Citizenship and Immigration Canada. This enactment sets out the mandate, responsibilities, powers, duties and functions of the Minister responsible for the CBSA and its President.

The *Canada Border Services Agency Act*, as it may now be called, also includes consequential amendments to the *Canada Customs and Revenue Agency Act* renaming it the *Canada Revenue Agency Act* and to a number of statutes administered by the Canada Revenue Agency. Among other amendments are those officially changing the name of the CCRA to the Canada Revenue Agency (CRA) and the Commissioner's title to that of Commissioner of Revenue. As a result, the CRA and the CBSA are now separate agencies reporting to different Ministers.

By Order of the Governor in Council the *Canada Border Services Agency Act* came into force on December 12, 2005.

**More Ways to Serve You!**  
**Pour vous servir encore mieux !**

La version française de ce bulletin est intitulée  
*Nouvelles de l'accise et de la TPS/TVH.*



Canada Revenue  
Agency

Agence du revenu  
du Canada

**Canada**

## Bill C-259 receives Royal Assent

On November 25, 2005, Bill C-259, *An Act to amend the Excise Tax Act (elimination of excise tax on jewellery)* received Royal Assent.

Bill C-259 amended the wording of the *Excise Tax Act* and had the following immediate impacts on the administration of the excise tax:

- The excise tax on all watches has been eliminated as of November 25, 2005.
- The excise tax on clocks adapted for household or personal use, except those specially designed for the use of the blind, increased to 10% of the amount by which the sale price or duty-paid value exceeds fifty dollars, as of November 25, 2005. As well, the rate reduction schedule for clocks has been eliminated.

Under the existing legislation, all articles made of semi-precious stones, jewellery, precious and semi-precious stones, and goldsmiths' and silversmiths' products remain subject to excise tax at the rate of 8%, and are subject to the rate reduction schedules currently in place. Also, as outlined in existing legislation, the excise tax on these goods as well as on clocks will be eliminated on March 1, 2009.

### More information

For more information please refer to ET/SL Notice 55, *Notice to all Licensed Jewellery Manufacturers and Wholesalers under the Excise Tax Act, and to Importers – Changes to the Excise Tax on Clocks and Watches*.

### Who to call

If you would like to speak with someone regarding these amendments to the *Excise Tax Act* please call one of these telephone numbers:

- **Toll free national line:** 1-866-330-3304 (English) or 1-800-877-9277 (French)
- **Quebec Region Excise Tax Line:** 1-800-877-9277
- **Northern Ontario Region** 1-705-677-7764 (collect calls accepted)  
Serving Ottawa and Northern Ontario areas

## Proposed GST/HST amendments relating to the financial services sector

On November 17, 2005, the Minister of Finance tabled a Notice of Ways and Means Motion proposing amendments to GST/HST provisions of the *Excise Tax Act* (the Act) relating to the financial services sector.

Proposed amendments include:

- measures to clarify that debt collection services (including activities such as arranging for the collection of, attempting to collect, negotiating the payment of and forgiveness of debt) are not considered financial services and are therefore taxable for GST/HST purposes. These proposed amendments are to apply to a supply if any consideration is due or paid after November 17, 2005.



These proposed amendments are also to apply if consideration was due or paid on or before November 17, 2005, unless the supplier did not charge, collect or remit tax in respect of the supply.

- measures to assist foreign banks to restructure under the foreign bank branching regime in the *Bank Act*, by providing transitional GST/HST relief for the initial transfer of assets from a foreign bank's existing Canadian subsidiary to its newly established Canadian branch. These proposed amendments are to have effect from June 28, 1999.
- two amendments that broaden the scope of the elections that allow relief from GST/HST on supplies of goods and services among members of a closely related group. The first proposed amendment ensures that two Canadian-resident, closely related corporations, both of which are registered for the GST/HST, will not be disqualified from making those elections simply because they are connected to each other in the ownership chain by other corporations that are non-resident and/or non-registered for the GST/HST. The second proposed amendment facilitates corporate reorganizations where, in order to comply with the requirements of the *Income Tax Act*, a corporation transfers assets to a newly incorporated subsidiary in the first step of realizing an income-tax-free reorganization. The proposed amendment will allow the election under section 156 to be used in the case of these reorganizations as long as particular conditions are met. These proposed amendments are to be effective November 17, 2005.
- measures to re-establish the intended application and policy objectives of the self-assessment provisions in Division IV of the Act for intangible property and services imported into Canada. Although there was no proposed legislation released on the date of the press release, a document with a detailed explanation of the proposed *New Rule for Financial Institutions Under Division IV of Part IX of the ETA* and the proposed *Clarifying Amendment to Section 220 of Division IV of Part IX of the ETA* was released. It is proposed that the amendment to section 220 be effective December 17, 1990, the day that the GST legislation came into force and that it apply to both financial institutions and non-financial institutions. Once the new rule for financial institutions takes effect, section 220 as amended will apply to non-financial institutions only. The new financial institutions rule is to apply to taxation years of "qualifying taxpayers" that begin after November 17, 2005, and subject to certain exceptions, to the taxation year that includes November 17, 2005.

The Minister also announced that draft amendments regarding the multi-employer pension plan (MEPP) rebate, originally tabled on October 3, 2003, will not be enacted into law because they are no longer required. After consulting with the pension industry and the CRA, it was determined that these plans could more appropriately be accommodated through modifications to CRA administrative policies that apply the existing GST/HST legislation to pension plans.

For more detailed information regarding this announcement please see the Department of Finance Web site at this address: [www.fin.gc.ca/news05/05-079e.html](http://www.fin.gc.ca/news05/05-079e.html)

## Driver and trainer fees in Standardbred horse racing

Driving or training a horse is the supply of a service rendered to the owner of the horse. Drivers and trainers that are GST/HST registrants are required to collect the GST/HST on taxable supplies of property and services, including driving and training services supplied to the owners of a horse in a racing event.

Various racetracks in Ontario have entered into agreements whereby the fees for drivers or trainers services are deducted from the Standardbred horse owner's purse money (winnings or prize) and

distributed directly to drivers and trainers. This method of payment does not change the nature of the supply of the services rendered by the driver or trainer to the owner. In other words, drivers and trainers that are GST/HST registrants are required to collect the GST/HST on their taxable supplies regardless of the method of payment.

For more information regarding this subject and how it may pertain to you, please call GST/HST Rulings to discuss your particular situation.

### **Private campground owners and the GST/HST status of property tax**

Some private campground owners (the landlords) charge their trailer site renters (the lessees) an extra amount of money to recover municipal property taxes assessed on their trailer sites. Recently, there has been some discussion about the application of the GST/HST to amounts that have to be paid by a lessee to the campground landlord, which may include an amount that covers the additional property tax payable by the landlord.

Property taxes paid by the landlord to the municipality are generally not subject to GST/HST. The landlord may include an amount that represents a recovery of such taxes from the lessee either as part of the basic rent or as an additional rent in the lease agreement. The assessment of property taxes on the trailer sites does not affect whether or not GST/HST applies to the rents for the trailer sites.

### **Additional amount of rent**

For GST/HST purposes, the CRA considers the landlord to be collecting an additional amount of rent in respect of the seasonal trailer sites where the landlord charges an additional amount in order to recover a portion of the municipal property taxes assessed on the sites that the landlord was obliged to pay. (Even if the lessee pays the amount directly to the municipality, where a separate amount is paid by a lessee on account of property taxes payable by the landlord, this amount is part of the consideration for the rental of the trailer site.)

The additional amounts to recover the property taxes will take on the same tax status as the rents, even where the landlord separately identifies the amounts or the lessee pays the amounts directly to the municipality. Where the rentals of the trailer sites are taxable, the landlord must collect and remit the tax on both the trailer site rental fees and these additional amounts.

Should you wish to discuss your particular circumstances regarding property taxes and the GST/HST please call GST/HST Rulings at 1-800-959-8287. Information regarding real property and trailer sites can also be found in GST/HST Memoranda 19.2, *Residential Real Property*, 19.2.2, *Residential Real Property – Rentals* and 19.5, *Land and Associated Real Property*, which are available on the CRA Web site.

### **Home office expenses**

Many registrants operate their businesses out of their homes. Eligible registrants may claim input tax credits (ITCs) for certain expenses related to their commercial activities. The following article briefly outlines the restrictions on claiming ITCs related to home office expenses.



A registrant is not entitled to claim an ITC in respect of the tax paid or payable on a supply, importation, or bringing into a participating province of property or a service acquired, imported, or brought in for consumption or use by the registrant (or, where the registrant is a partnership, an individual who is a member of the partnership), in relation to a work space (i.e., home office) in a self-contained domestic establishment in which the registrant or individual resides unless the work space:

- is the registrant's principal place of business; or
- is used exclusively (90% or more) for the purpose of earning income from a business and is used on a regular and continuous basis for meeting the registrant's clients, customers, or patients in respect of the business.

### **What is a self-contained domestic establishment?**

The definition of the term "self-contained domestic establishment" for GST/HST purposes is the same as that for income tax purposes. It means a dwelling-house, apartment or other similar place of residence in which place a person as a general rule sleeps and eats. Whether a particular place fits this definition will be a question of fact.

### **What is a principal place of business of a registrant?**

The word "principal" is not defined in the *Excise Tax Act* (the Act), but it is generally regarded as being synonymous with the words "chief" or "main". Therefore, where an individual has two or more places of business in respect of the same business, the work space must be the main place of business in order to meet the requirements set out in the Act. More information on this topic is available in Interpretation Bulletin IT-514, *Work Spaces in Home Expenses*.

For example, a room in a contractor's residence is used to carry out the office functions of the business such as receiving work orders, bookkeeping, purchasing and preparing payrolls. The remaining activities of the business (i.e., the performance of the contracts) are carried out at the customer's location. In this case, the room in the contractor's residence is considered to be the contractor's principal place of business. This room could also be used for personal purposes since there is no requirement for the room to be used exclusively for business in order for it to be considered a principal place of business.

### **Is it used on a regular and continuous basis for meeting clients?**

Whether the space is being used on a regular and continuous basis will depend, in part, on the nature of the business activity. This is determined on the basis of the facts of each situation. For example, a work space for a business that normally requires infrequent meetings or frequent meetings at irregular intervals would probably not meet the requirement.

For example, a home office is used by Doctor M to meet occasionally with one or two patients a week, while he meets most of his patients in a doctor's office in another building. This doctor's home office is not considered to be used on a regular and continuous basis for meeting patients.

On the other hand, an accountant meets an average of five clients a day for five days each week in his home office. The accountant's work space is clearly being used to meet clients on a regular and continuous basis. However, if that accountant used that work space more than 10% for personal purposes, it would not be used "exclusively for the purposes of earning income". Unless the home office



was the accountant's principal place of business, it would not be considered a qualifying work space, notwithstanding that it may be used on a regular and continuous basis for meeting clients.

### **Is the consumption or use of the office space in relation to any part of a self-contained domestic establishment?**

The ITCs may be restricted where the GST/HST is payable in relation to any part of a self-contained domestic establishment. Typically, supplies of property and services consumed or used in relation to a part of a self-contained domestic establishment can easily be distinguished from supplies made in relation to the business itself.

Full ITCs would generally be available in respect of expenses incurred on supplies for only the office, while expenses relating to the domestic establishment as a whole may need to be apportioned between personal and business use. There would be no ITCs in respect of expenses that did not relate at all to the commercial activity. For example, heat and electricity would be included and apportioned when calculating a registrant's ITC entitlement (provided that the portion related to the home office was more than 10%), while costs relating to a room such as a bedroom that is not used at all in the business would be excluded.

Since each person's business affairs and home office arrangements are unique, please call GST/HST Rulings at 1-800-959-8287 to discuss your ITC eligibility.

### **ABM transactions**

The CRA has completed a review of its position on the application of the GST/HST to certain transactions involving automated bank/teller machines (ABMs). Further to this review, this article discusses the application of GST/HST to supplies for which the interchange fee is consideration and to supplies involving the dispensing of cash for which the consideration is derived from the interchange fee.

The dispensing of cash at an ABM may involve a number of persons: **issuers**, who maintain accounts and issue their customers (**cardholders**) with debit, credit or charge cards, which can be used to access accounts to withdraw cash at an ABM connected to a network (e.g., Interac), and **acquirers**, who are members of the network and who either act as card acceptors or who obtain and process a request from a card acceptor to authorize the dispensing of cash to a cardholder. An acquirer may actually dispense cash or forward the approval to dispense cash to another person who is not a member of the network such as an Independent Sales Organization (ISO) or a card acceptor. **Card acceptors** are persons from whose ABMs cash is ultimately dispensed to a cardholder.

An issuer pays an interchange fee to an acquirer, the person who is a member of a payment network (e.g., Interac) for the service of dispensing cash or agreeing to dispense cash to a cardholder. The service provided by an acquirer to an issuer, for which the interchange fee is consideration, is generally an exempt financial service for GST/HST purposes.

In some cases, an amount derived from the interchange fee may be paid by an acquirer to a person who is not a member of the network (e.g., an ISO) who in turn may pay a portion of that amount to a third person, such as a card acceptor. If that amount is paid for the service of dispensing or agreeing to dispense cash to a cardholder, that payment is generally consideration for an exempt financial service for GST/HST purposes. On the other hand, where such a payment is made for taxable services, for example, where an ISO pays an amount derived from the interchange fee as a commission on the sale of an ABM,

GST/HST will apply. Similarly, where a merchant simply provides space to an ISO or to a card acceptor to locate an ABM in their establishment in exchange for a fee derived from the interchange fee, the supply being made by the merchant is taxable and the merchant, if a registrant, is required to collect and account for tax on the payments received.

Registrants making exempt supplies of financial services are generally precluded from claiming input tax credits (ITCs) in respect of purchases of goods or services used in making such supplies.

It is important to note that there may be payments apart from the interchange fee, for other services provided for under agreements between any of the parties involved in the cash dispensing process, which may be taxable for GST/HST purposes. For example, an acquirer or an ISO may provide services to a card acceptor, such as technical support for software and hardware related to ABMs, operation and maintenance services related to ABMs, or marketing services. The supply of these services is generally taxable for GST/HST purposes and the supplier is required to collect and account for tax in respect of such supplies.

Tax applies on the total consideration payable for taxable supplies. A registrant is required to collect and account for tax calculated on the entire amount payable for a taxable supply, i.e., before any set-off or netting of amounts payable or receivable by the registrant under the same or another agreement.

It should be noted that fees paid by a cardholder in respect of a cash dispensing transaction at an ABM are generally consideration for an exempt financial service for GST/HST purposes (whether paid to the issuer, in respect of their account, or to an acquirer or a card acceptor, in respect of the cash withdrawal).

Please contact a GST/HST Rulings Centre if you have any questions concerning the application of GST/HST to these transactions.

## **Labrador Inuit – a self-governing First Nation**

Effective December 1, 2005, the Labrador Inuit became a self-governing First Nation. Its government is called the Nunatsiavut Government. The Labrador Inuit will remain subject to federal and provincial taxes.

### **GST self-government refund**

Along with the enactment of the *Labrador Inuit Land Claims Agreement Act*, a separate tax treatment agreement came into effect on December 1, 2005. The tax treatment agreement provides for a 100% refund of that portion of the federal segment of the HST paid on goods and services acquired by the Nunatsiavut Government and its eligible entities provided that input tax credits are not available and the other eligibility conditions are met.

The Nunatsiavut Government and its eligible entities may claim the self-government GST refund using the form GST66, *Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund*. The claim must be filed within four years after the tax was paid.

The *Labrador Inuit Tax Treatment Agreement* identifies the conditions under which a GST refund for self-government activities may be claimed.

## FNGST for the Tlicho First Nation

Effective December 5, 2005 a First Nations Goods and Services Tax (FNGST) is imposed on Tlicho lands.

As the FNGST is designed to work within the GST framework, no additional forms or registration will be required and vendors will simply apply the FNGST in the same manner as the GST/HST. Tlicho citizens will continue to pay GST/HST on taxable supplies acquired outside Tlicho lands.

The Summer 2005 edition of the *Excise and GST/HST News* No.57 contains the original notice for the Northwest Territories – Tlicho self-government agreement and their GST self-government refund program.

Additional information on FNGST can be found in the CRA publication RC4365, *First Nations Goods and Services Tax* (FNGST).

## Prescribed rates of interest

The prescribed annual rate of interest in effect from January 1, 2006 to March 31, 2006, with respect to the GST/HST and the air travellers security charge (ATSC) is set at 2.4333% . Interest and penalty compound daily. To calculate interest, divide the annual rate by 365 (366 in a leap year) and apply it daily to the previous day's compound balance.

The prescribed annual rate of interest in effect from January 1, 2005 to March 31, 2006, with respect to amounts of income tax, excise tax and excise duty (except excise duty on beer) payable to the Minister (i.e., arrears and instalment payments) is established at 7%. The prescribed interest rate on amounts owed by the Minister (i.e., refunds) is established at 5%. These rates compound daily.

The prescribed annual rate of interest respecting excise duty on beer accounts is set at 5% for the period January 1, 2006 to March 31, 2006. Penalty compounds monthly and interest compounds daily.

Period	GST/HST ATSC (per annum)		Income Tax, Excise Tax, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)	
	Interest	Penalty	Refund Interest	Arrears and Instalment Interest	Interest	Penalty
<b>2006</b>						
January 1 – March 31	2.4333 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %
<b>2005</b>						
October 1 – December 31	2.3804 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %
July 1 – September 30	2.3804 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %
April 1 – June 30	2.4066 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %
January 1 – March 31	2.4333 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %

Prescribed interest rates are adjusted every calendar quarter.

Rates of interest for previous periods are available on the CRA Web site.



## New GST/HST Rulings telephone service

On September 26th, 2005, GST/HST Rulings implemented changes to its current 1-800 network. The network now distributes calls nationally to any one of our nine regional GST/HST Rulings Centres during regular business hours (8:15 a.m. to 5:00 p.m.) in each time zone. This change will increase caller accessibility and maintain the high quality of service we provide to our clients. The contact number remains the same: 1-800-959-8287 (English) and 1-800-959-8296 (French).

## What's new in publications

### *GST/HST Pamphlets/Guides*

P143	Using your Home for Day Care
RC4060	Farming Income and the CAIS Program – Joint Forms and Guide – 2005
RC4110	Employee or Self-employed?
RC4408	Farming Income and the CAIS Program Harmonized Guide - Joint Forms and Guide - 2005
RC4049	GST/HST Information for Municipalities
T4130	Employers' Guide - Taxable Benefits
T4131	Canadian Residents Abroad
T4133	Are You a Newcomer to Canada?

### *GST/HST Forms*

GST521	GST/HST Multi-Employer Pension Plan Trust Rebate Application
RC1	Request for a Business Number (BN)

### *GST/HST Notice*

Notice 206	GST/HST Notice Carcross/Tagish First Nation
------------	---

### *GST/HST Policy Statements*

P-128R2	Tax Treatment of a Supply of an Undivided Working Interest in the Assets of a Mine or an Oil or Gas Well (revised)
---------	--

### *Excise Taxes and Special Levies Notices*

ETSL55	Notice to all Licensed Jewellery Manufacturers and Wholesalers under the Excise Tax Act, and to Importers - Changes to the Excise Tax on Clocks and Watches
ETSL56	Notice to all Tax Practitioners and Licensed Manufacturers, Wholesalers, and Filers of End-user Refunds under the Excise Tax Act
Fact Sheet	Bill C-259 – An Act to amend the Excise Tax Act

### *Excise Forms*

B268	Notification of Fiscal Months
B269	Application or Revocation of the Authorization to File Separate Excise Duty Returns and Refund Applications for Branches or Divisions
E447	Wholesaler's Bond - Excise Taxes

E664 Direct Deposit Request / Electronic Transfer Request (Payments > \$25 Million) for Excise Refunds and Rebates

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at: [www.cra-arc.gc.ca/tax/technical/menu-e.html](http://www.cra-arc.gc.ca/tax/technical/menu-e.html)

### **GST/HST Enquiries**

To make enquiries regarding your GST/HST account, call Business Enquiries at 1-800-959-5525

To make enquiries regarding the status of specific GST/HST domestic rebate claims, call  
1-800-565-9353

To make enquiries regarding the status of visitor rebate claims, call 1-800-668-4748

To obtain copies of forms and publications, call 1-800-959-2221

If you are in Quebec please call the following toll-free number:  
1-800-567-4692 (Revenu Québec)

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST) as well as excise taxes and duties. This publication is provided for information purposes only and does not replace the law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Canada Revenue Agency (CRA) tax services office or call Business Enquiries at 1-800-959-5525. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, Ontario K1A 0L5. ISSN 1183-689X

# Excise and GST/HST News

**No. 60****Spring 2006**

## Table of Contents

Budget 2006 .....	1
GST/HST Web Registry .....	4
Excise duty licences other than beer .....	5
Third party authorization – keep your BN account up to date .....	6
Simplified method for calculating input tax credits .....	6
What's new in publications .....	7
Prescribed rates of interest .....	9
GST/HST Enquiries .....	10

## Budget 2006

The *Federal Budget* tabled by the Minister of Finance on May 2, 2006 included several proposed measures relating to the goods and services tax and the harmonized sales tax (GST/HST), excise tax, excise duty and the air travellers security charge. Following the Budget, Bill C-13, the *Budget Implementation Act, 2006* was introduced in the House of Commons and received second reading on May 19, 2006.

The following is a brief synopsis of these proposed measures. For more detailed information please refer to the Department of Finance Web site dedicated to the federal budget at this address: [www.fin.gc.ca](http://www.fin.gc.ca)

## GST/HST reduced rate

### General

Effective July 1, 2006, the rate of GST will be reduced from 7% to 6% and the rate of HST will be reduced from 15% to 14%.

Generally, the new rates apply to the supply of taxable goods and services in the following manner:

- If GST/HST becomes payable on or after July 1, 2006 without having been paid before that day, the 6% GST rate or the 14% HST rate will apply.
- If GST/HST is paid on or after July 1, 2006 without having become payable before that day, the 6% GST rate, or the 14% HST rate will apply.
- If GST/HST becomes payable or is paid before July 1, 2006, the 7% GST rate or the 15% HST rate will apply.

**More Ways to Serve You!**

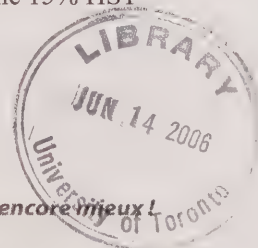
**Pour vous servir encore mieux!**

La version française de ce bulletin est intitulée  
*Nouvelles de l'accise et de la TPS/TVH.*



Canada Revenue  
Agency

Agence du revenu  
du Canada



**Canada**



The HST applies only to supplies made in or imported into the participating provinces of Nova Scotia, New Brunswick and Newfoundland and Labrador. The GST applies to supplies made in the rest of Canada.

In addition to the general rule, certain types of transactions (i.e., sales of real property, deemed supplies, imported goods and imported taxable services and intangibles) will have specific transitional rules. There is also an anti-avoidance provision implemented to maintain the integrity of the GST/HST system through the transition period. These rules are discussed in more detail in *Annex 3: Tax Measures: Supplementary Information and Notices of Ways and Means Motion* on the Department of Finance Budget 2006 Web site.

### **GST/HST Transitional Rebate for new or substantially renovated houses**

Where an agreement, in writing, for the purchase and sale of a newly constructed or substantially renovated house was entered into on or before May 2, 2006, and both ownership and possession are transferred on or after July 1, 2006, GST at 7% or HST at 15% will apply. However, a GST/HST Transitional Rebate will be available for purchasers of such housing to account for the rate reduction. Only in certain cases where a builder sells new or substantially renovated housing on leased land would the builder be entitled to claim a GST/HST Transitional Rebate.

If either ownership or possession of a new or substantially renovated house is transferred before July 1, 2006, regardless of when the agreement of purchase and sale was entered into, the GST at 7% or the HST at 15% will apply and the purchaser will not be entitled to claim a GST/HST Transitional Rebate.

The GST/HST Transitional Rebate available to a purchaser cannot be paid or credited by the builder. The purchaser must complete a rebate application and submit it to the Summerside Tax Centre. When the application form is available, you will be able to obtain it from the CRA Web site.

People selling new homes, such as builders, should make their clients aware of this transitional rebate.

For more information on the GST/HST rate reduction, please refer to the Questions and Answers which were created to assist you in understanding how the GST/HST rebate reduction will apply. As well, three new GST/HST Info Sheets have been published: GI-013, *Reduction in the Rate of the GST/HST*, GI-014, *Applying the GST/HST Rate Reduction to Allowances and Reimbursements*, and GI-015, *GST/HST Rate Reduction and Purchasers of New Housing*. You may also call the GST/HST rate reduction information line at 1-866-959-7797 from 8:15 a.m. to 8:00 p.m.

### **Air Travellers Security Charge rates**

As a result of the proposed GST/HST rate reduction, the Air Travellers Security Charge (ATSC) rates will be adjusted. These ATSC rates will apply to air transportation services purchased on or after July 1, 2006, that include a chargeable emplanement on or after July 1, 2006.

For specific details regarding the rate reductions, please refer to ET/SL Notice 59, *Notice to all Air Carriers: Rate Reductions for the Air Travellers Security Charge*.

**Elimination of tax on jewellery products**

The excise tax on the following products is eliminated, effective May 2, 2006.

- clocks with a duty paid value or sale price of \$50 or more;
- articles made in whole or in part of natural shells or semi-precious stones;
- jewellery, including diamonds and other precious or semi-precious stones, for personal use or adornment of the person; and
- goldsmiths' and silversmiths' products.

All licensed manufacturers and licensed wholesalers of jewellery will be provided with further information at a later date regarding the cancellation of their excise tax licences.

For specific details regarding this rate elimination, please refer to ET/SL Notice 60, *Notice to all Importers and Licensed Jewellery Manufacturers and Wholesalers under the Excise Tax Act, Elimination of the Excise Tax on Jewellery Products*.

**Alcohol and tobacco duties**

The federal budget proposes to increase excise duties on spirits, beer and wine and tobacco products. To view a table showing the federal excise duty increases that will apply beginning July 1, 2006, please see Excise Duty Notice EDN9, *Excise Duty Rate Changes – July 1, 2006*.

**Tobacco products inventory tax**

The federal budget proposes to apply a tax on inventories of tobacco products held on July 1, 2006. Please see Excise Duty Notice EDN 10, *Tobacco Products Inventory Tax* for more information.

**Excise duty on wine**

The federal budget proposes to exempt from duty the first 500,000 litres of wine produced and packaged by a wine licensee per year made from 100 % Canadian-grown agricultural products.

The proposed relief will apply to all goods falling within the definition of wine in the Act (including ciders, wine coolers, fruit wines and sake) made from 100 % Canadian-grown agricultural products. The relief will be available to wine licensees operating in Canada. This measure will apply to wine packaged on or after July 1, 2006.

For more information please see Excise Duty Notice EDN11, *Excise Duty Exemption on 100% Canadian Wine*.

**Excise duty on beer – small and mid-sized brewers**

The federal budget proposes that reduced rates of excise duty apply to licensed Canadian brewers who have produced and packaged no more than 300,000 hectolitres (hl) of beer in the previous calendar year and do not exceed that limit in the current calendar year.

For 2006, licensed Canadian brewers will be eligible for relief only in respect of beer they package on or after July 1, 2006. To qualify for the reduced rates in 2006, these producers must have produced and packaged no more than 300,000 hl in 2005 and not exceed that level in all of 2006.

For more information please see Excise Duty Notice EDBN6, *Excise Duty Rate Changes on Beer Produced by Small and Mid-Sized Brewers*.

### Standardized accounting

Standardized accounting aims to simplify tax compliance, primarily for business persons, by harmonizing various administrative, interest and penalty provisions across federal tax statutes. The goal of this initiative is an integrated set of rules for the payment of tax, calculation of interest, and penalties that simplifies the tax system for both business and the CRA and ultimately leads to increased efficiency and cost savings.

The first series of standardized accounting measures, which harmonized a number of administrative and enforcement provisions under the *Excise Tax Act* (non-GST), the *Excise Act, 2001*, and the *Income Tax Act*, became law effective July 1, 2003.

The federal budget proposes measures that harmonize a number of other administrative, interest and penalty provisions, primarily as they relate to the GST portion of the *Excise Tax Act*, but also affecting the *Excise Tax Act* (non-GST), *Excise Act, 2001*, *Income Tax Act*, and the *Air Travellers Security Charge Act*. These measures will apply based on an implementation date that is the later of April 1, 2007 and the date that the proposed legislation receives Royal Assent.

For specific coming-into-force provisions please see *Annex 3: Tax Measures: Supplementary Information and Notices of Ways and Means Motion* on the Department of Finance Budget 2006 Web site.

### GST/HST Web Registry

The *Excise Tax Act* has recently been amended to enable the creation of a GST/HST Web Registry.

The registry can be used to verify the GST/HST registration of a person. This is important for GST/HST registrants since they are required to ensure that they claim input tax credits only where the GST/HST has been charged by suppliers who are registered for GST/HST purposes.

In the past, registrants needing this kind of information had to contact the CRA by telephone. Now, registrants and other members of the public can access the registry themselves to verify a supplier's GST/HST registration on-line. This will streamline the process by ensuring that a supplier's registration information is readily available. The registry has been designed so that a supplier's registration status may be verified for a specific invoice date.

Registrants whose business or trading names appear on their invoices should verify that these same names are displayed on their GST/HST statements and returns from the CRA. Any names that are not on file at CRA cannot be verified through the registry. If you are unsure whether these names have been provided to the CRA, contact Business Enquiries at 1-800-959-5525.

To access this registry please go to [www.cra-arc.gc.ca/eservices/tax/business/gsthstregistry/menu-e.html](http://www.cra-arc.gc.ca/eservices/tax/business/gsthstregistry/menu-e.html)



**Excise duty licences other than beer**

All licences issued under the *Excise Act, 2001* (i.e., issued to spirits licensees, tobacco licensees, tobacco dealers, wine licensees, licensed users, excise warehouse licensees, special excise warehouse licensees and duty free shop licensees) expire after a maximum of two years if not renewed. As well, in certain cases, a licence may be suspended or cancelled prior to its normal expiry date.

For certain transactions to be in compliance with the *Excise Act, 2001* (the Act), one or both parties to the transaction must have the appropriate licence or registration.

For example:

- A licensed tobacco dealer sells raw leaf tobacco to another company to be processed into cut filler for the company's own production of cigarettes. Because of limitations under the Act as to who may possess raw leaf tobacco, the licensed tobacco dealer must be certain that the party to whom it sells raw leaf tobacco is a tobacco licensee under the Act. The tobacco licensee should also be certain that the tobacco dealer from whom it makes the purchase is licensed under the Act to sell raw leaf tobacco.
- A spirits licensee has produced bulk spirits that it ships to another party to have them packaged and subsequently returned to place in the licensee's own excise warehouse on an excise duty deferred basis. Both parties must have spirits licences under the Act in order to engage in the production or packaging of spirits and to possess bulk spirits. The second party must also be certain that the licensee to whom it is returning the packaged spirits for storage also has an excise warehouse licence entitling it to receive the packaged spirits and store them on a duty deferred basis.
- A spirits licensee wishes to sell and ship specially denatured alcohol (SDA) to a person who claims to be an SDA registrant. The spirits licensee, who is entitled to possess SDA, must be certain that the party to whom it sells and ships the SDA is indeed an SDA registrant.

To confirm whether a person with whom you are dealing has the proper licence or registration, call the nearest Regional Excise Duty Office. These offices are listed in Excise Duty Memorandum 1.1.2, *Regional Excise Duty Offices*.

A person who wishes to renew their licence must submit, at least 30 days before the expiry date, a completed application form L63, *Licence and Registration Application* Excise Act, 2001, to any CRA tax services office. The person should indicate in the appropriate box on the form that the application relates to the renewal of an existing licence. A person who wishes to apply for a registration should use form L63 as well.

For more information on how to apply for or renew an excise duty licence please see Excise Duty Memorandum 2.2.1, *Obtaining and Renewing a Licence*.

**Third party authorization – keep your BN account up to date**

It is important for you to keep your Business Number (BN) account up to date when it comes to information regarding authorized third parties. Authorized third parties often call the CRA looking for specific information to complete a tax return or to change account information such as the address, telephone and contact information. If the name of the party contacting the CRA is not on file, we cannot respond to the request.

To avoid disappointment and delays in responding to your account enquiry, please mail a completed and signed RC59, *Business Consent Form* to the CRA whenever there is a change or addition to your third party information. This form can be downloaded from the CRA Web site.

Processing the form or letter usually takes five to 10 business days from the day received.

**Simplified method for calculating input tax credits**

The simplified method for calculating input tax credits (ITCs) is an alternative way of calculating the input tax credit portion of your GST/HST return.

You can use this method if you meet all of the following requirements:

- You are a GST/HST registrant.
- You are **not** a listed financial institution.
- You and your associates have annual worldwide revenues from taxable supplies of goods and services totalling \$500,000 or less both in your immediately preceding fiscal year and the preceding fiscal quarters in the current fiscal year. This limit does not include goodwill, zero-rated financial services, or sales of capital real property.
- Your taxable purchases in Canada must also not exceed \$2 million in the immediately preceding fiscal year. The \$2 million purchase limit does not include zero-rated purchases, but does include purchases imported into Canada or brought into a participating province. If you are a public service body, you must be able to reasonably expect that your taxable purchases in the current fiscal year will not be more than \$2 million.

If you qualify, you can begin using the simplified method for calculating ITCs at the beginning of any reporting period in a fiscal year. It is not necessary to file a separate form with us to use the simplified method but you do have to use it consistently for one year if you continue to qualify.

With the simplified method for calculating ITCs, you don't have to separate the amount of GST/HST payable on each invoice. Instead, you only need to add the total amount of your taxable purchases other than zero-rated purchases, including GST or HST, other taxes and duties imposed on imported goods, non-recoverable provincial sales tax (PST), tips, and penalty and interest charges on late payments. If you make purchases in both participating and non-participating provinces, you will need to separate your purchases that are taxable at 7% from the purchases that are taxable at 15%.

To calculate your ITC you simply multiply your total taxable (other than zero-rated) purchases by 7/107 for GST purchases and 15/115 for HST purchases.

If you make purchases in both participating and non-participating provinces, you currently have to separate your purchases that are taxable at 7% from those taxable at 15%. To calculate your ITCs for each reporting period, you total your taxable purchases (other than zero-rated purchases), including GST or HST, provincial sales tax (PST), tips, and penalty and interest charges on late payments, and:

- multiply by 7 and divide the result by 107 for GST purchases; or
- multiply by 15 and divide the result by 115 for HST purchases.

Effective on or after July 1, 2006, when you make purchases subject to 6% GST or 14% HST, to calculate your ITCs on these purchases, you will separate your purchases that are taxable at 6% from those taxable at 14% and:

- multiply by 6 and divide the result by 106 for GST purchases; or
- multiply by 14 and divide the result by 114 for HST purchases.

You can use the simplified method to calculate ITCs only for purchases you use to make taxable supplies of goods and services. If you use your purchases for personal use, or to make both taxable and exempt supplies of goods and services, only the portion used for making taxable supplies of goods and services can be included in the ITC calculation. However, if you use a purchase at least 90% to make taxable supplies of goods and services, you can include the total purchase in your ITC calculation. You will also have to keep the usual documents to support your input tax credit claims for audit purposes.

For more information and examples of how to calculate your ITCs using on the simplified method, please refer to the CRA guide RC4022, *General Information for GST/HST Registrants*.

### **What's new in publications**

All GST/HST forms and guides affected by the federal budget will be updated and available on the CRA Web site by July 1, 2006. In addition, two new forms for claiming the GST/HST Transitional Rebate for new or substantially renovated houses, and one new form for claiming the new housing rebate for owner-built homes will be available.

The CRA will soon make available to retailers, on request, information about the reduced rates for GST/HST and new stickers that show the new rate for each tax. The stickers can be displayed in places of business. Retailers will be able to order these items online at [www.cra.gc.ca](http://www.cra.gc.ca) or by calling 1-800-959-2221. More information will be provided on the CRA Web site closer to the July 1, 2006 implementation date for the new rates.

#### ***GST/HST Pamphlets/Guides***

RC4405      GST/HST Rulings - Experts in GST/HST Legislation

#### ***GST/HST Forms***

RC145      Request to Close Business Number Accounts



***GST/HST Info Sheets***

- GI-013      Reduction in the Rate of the GST/HST  
GI-014      Applying the GST/HST Rate Reduction to Allowances and Reimbursements  
GI-015      GST/HST Rate Reduction and Purchasers of New Housing

***GST/HST Technical Information Bulletins***

- B-093      Application of the GST/HST to Cemetery Products and Services

***Excise Duty Notices***

- EDBN4      Amendment to the Payment Schedule for Brewers  
EDBN5      K50B Filing and Payment Schedules for Brewers (2006-2007)  
EDBN6      Excise Duty Rate Changes on Beer Produced by Small and Mid-Sized Brewers  
EDN 9      Excise Duty Rate Changes–July 1, 2006  
EDN10      Tobacco Products Inventory Tax  
EDN11      Excise Duty Exemption on 100% Canadian Wine  
EDN12      Regulations Amending the Denatured and Specially Denatured Alcohol Regulations

***Excise Duty Memoranda***

- EDM1-1-5      Instrument Certification

***Excise Taxes and Special Levies Notices***

- ETSL56      Notice to all Tax Practitioners and Licensed Manufacturers, Wholesalers, and Filers of End-user Refunds under the Excise Tax Act  
ETSL57      Application of the Excise Tax on Air Conditioners in Unsalvageable or Scrap Vehicles  
ETSL58      Notice to all Tax Practitioners and Licensed Manufacturers, Wholesalers and Filers of End-user Refunds under the Excise Tax Act  
ETSL59      Notice to all Air Carriers: Rate Reductions for the Air Travellers Security Charge  
ETSL60      Notice to all Importers and Licensed Jewellery Manufacturers and Wholesalers under the Excise Tax Act - Elimination of the Excise Tax on Jewellery Products

***Excise Forms***

- B241      Excise Tax Return - Broker  
B270      Excise duty return – Non-Licensee  
E680      Notice of Objection - Excise Act, 2001

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at: [www.cra-arc.gc.ca/tax/technical/menu-e.html](http://www.cra-arc.gc.ca/tax/technical/menu-e.html)

## Prescribed rates of interest

The prescribed annual rate of interest in effect from April 1, 2006 to June 30, 2006, with respect to the GST/HST and the air travellers security charge (ATSC) is set at 3.6099% . Interest and penalty compound daily. To calculate interest, divide the annual rate by 365 (366 in a leap year) and apply it daily to the previous day's compound balance.

The prescribed annual rate of interest in effect from April 1, 2006 to June 30, 2006, with respect to amounts of income tax, excise tax and excise duty (except excise duty on beer) payable to the Minister (i.e., arrears and instalment payments) is established at 8%. The prescribed interest rate on amounts owed by the Minister (i.e., refunds) is established at 6%. These rates compound daily.

The prescribed annual rate of interest respecting excise duty on beer accounts is set at 6% for the period April 1, 2006 to June 30, 2006. Penalty compounds monthly and interest compounds daily.

Period	GST/HST ATSC (per annum)		Income Tax, Excise Tax, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)	
	Interest	Penalty	Refund Interest	Arrears and Instalment Interest	Interest	Penalty
<b>2006</b>						
April 1 – June 30	3.6099 %	6.0 %	6.0%	8.0 %	6.0 %	6.0 %
January 1 – March 31	2.4333 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %

Prescribed interest rates are adjusted every calendar quarter.

Rates of interest for previous periods are available on the CRA Web site.

### **GST/HST Enquiries**

To make enquiries regarding your GST/HST account, call Business Enquiries at 1-800-959-5525

To make enquiries regarding the status of specific GST/HST domestic rebate claims, call  
1-800-565-9353

To make enquiries regarding the status of visitor rebate claims, call 1-800-668-4748

To obtain copies of forms and publications, call 1-800-959-2221

To order your replacement GST/HST stickers, call 1-800-959-2221.

If you are in Quebec please call the following toll-free number:  
1-800-567-4692 (Revenu Québec)

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST) as well as excise taxes and duties. This publication is provided for information purposes only and does not replace the law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Canada Revenue Agency (CRA) tax services office or call Business Enquiries at 1-800-959-5525. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, Ontario K1A 0L5. ISSN 1183-689X



# Excise and GST/HST News

No. 61

Summer 2006

## Table of Contents

Bill C-13 receives Royal Assent.....	1
Ordinary location of mobile phones .....	1
Reminder –Tobacco Products Inventory Tax .....	3
Fuel surcharge.....	3
Trucking – driver services .....	4
What's new in publications .....	5
Prescribed rates of interest.....	7

### Bill C-13 receives Royal Assent

Bill C-13, the *Budget Implementation Act, 2006*, received Royal Assent on June 22, 2006.

This Act implements certain provisions of the budget tabled in Parliament on May 2, 2006 including the rate reduction of the goods and services tax and the harmonized sales tax (GST/HST), and several other measures relating to GST/HST, excise tax, excise duty and the air travellers security charge. These measures are now law.

### Ordinary location of mobile phones

There are special rules for determining whether a particular call is subject to GST/HST in the situation where a cellular service provider charges a subscriber for calls made on his or her cell phone on a pay-per-use basis.

A call is considered to be made in Canada, and therefore subject to GST/HST, where the call is:

- emitted and received in Canada; or
- emitted **or** received in Canada and the **billing location** for the call is in Canada.

The billing location is considered to be in Canada if the fee for the call is charged or applied by a cellular service provider to an account of the subscriber that relates to a cell phone ordinarily located in Canada. The CRA considers a cell phone to be ordinarily located in Canada if the phone has a telephone number with an area code assigned to a geographic area in Canada.

More Ways to Serve You!

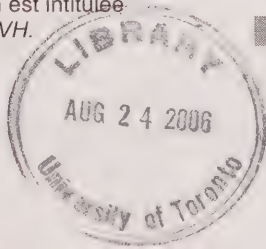
Pour vous servir encore mieux!

La version française de ce bulletin est intitulée  
*Nouvelles sur l'accise et la TPS/TVH.*



Canada Revenue  
Agency

Agence du revenu  
du Canada



Canada

Examples

A person subscribes to a cellular service plan and receives a cell phone which has a telephone number with the area code assigned to Manitoba. Since Manitoba is in Canada, the cell phone is considered to be ordinarily located in Canada.

A person rents a cell phone from a Canadian service provider to use during her trip to England. The cell phone has a telephone number with an area code assigned to the city of London, England. Although the cell phone is rented from a Canadian supplier, the phone is not considered to be ordinarily located in Canada because it does not have a telephone number with an area code assigned to a geographic area in Canada.

If a call is made in Canada, the service provider must also determine whether the call is made in a province. If the call is made in a participating province (i.e., Nova Scotia, New Brunswick or Newfoundland and Labrador) then the call is subject to HST.

A call is considered to be made in a province where the call is:

- emitted and received in the province;
- emitted **or** received in the province and the **billing location** for the call is in the province; or
- emitted in the province and is received outside the province and the **billing location** for the service is not in a province in which the call is emitted or received.

The billing location is considered to be in a province if the fee for the call is charged or applied by a cellular service provider to an account of the subscriber that relates to a cell phone ordinarily located in the province. The CRA considers a cell phone to be ordinarily located in a province if the phone has a telephone number with an area code assigned to the province or a geographic area in the province. In the situation where an area code is assigned to more than one province, such as area code 902 which serves both Nova Scotia and Prince Edward Island, the next three digits in the telephone number (i.e., the central office code or “exchange”) determine the ordinary location of the cell phone.

Examples

A person subscribes to a cellular service plan and receives a cell phone which has a telephone number with the area code assigned to Saskatchewan. As a result, the cell phone is considered to be ordinarily located in the province of Saskatchewan.

A person subscribes to a cellular service plan and receives a cell phone which has a telephone number with the area code assigned to Nova Scotia and Prince Edward Island. The telephone number has an exchange assigned to Halifax, Nova Scotia. As a result, the cell phone is considered to be ordinarily located in the province of Nova Scotia.

A non-resident rents a cell phone from a Canadian service provider to use during his trip to Canada. The cell phone has a telephone number with an area code assigned to southern Alberta. As a result, the cell phone is considered to be ordinarily located in the province of Alberta.

**Satellite phones**

The rules for determining whether a particular call is made in Canada or a province using a cell phone also apply to calls made using satellite phones. However, satellite phones differ from cell phones in that satellite phones generally do not have telephone numbers with area codes assigned to geographic areas in Canada. As a result, for the purposes of determining the billing location for the call, the CRA considers a satellite phone to be ordinarily located in Canada if the permanent address of the purchaser/subscriber of the satellite service is in Canada. Similarly, a satellite phone is considered to be ordinarily located in a province if the permanent address of the purchaser/subscriber of the satellite service is in a province.

**Example**

A person subscribes to a satellite service plan. The subscriber's permanent address is in Montreal, Quebec. As a result, the satellite phone is considered to be ordinarily located in Canada, and specifically, in the province of Quebec.

**Reminder –Tobacco Products Inventory Tax**

The federal budget proposed to apply a tax on tobacco products held in inventory at the beginning of July 1, 2006. Bill C-13, the *Budget Implementation Act, 2006*, received Royal Assent and as a result, the Tobacco Products Inventory Tax is now law.

Certain persons who own tobacco products to be offered for sale may be required to complete and file form B273, *Excise Return - Tobacco Products Inventory Tax* and pay the tax on or before August 31, 2006.

The CRA mailed an information package in June and will mail the excise return and remittance form at the end of July. If you had tobacco products in inventory at the beginning of July 1, 2006 and if you have not received this information package or the form, you should contact your regional excise duty office to obtain a copy. A list of regional excise duty offices is available in Excise Duty Memorandum 1.1.2, *Regional Excise Duty Offices*.

Please see Excise Duty Notice EDN 10, *Tobacco Products Inventory Tax* for more information. Both forms B273, *Excise Return - Tobacco Products Inventory Tax* and B274, *Record of Inventory – Tobacco Products Inventory Tax* are available on the CRA Web site.

**Fuel surcharge**

In the transportation industry a fuel surcharge may be added to invoices for the supply of transportation services to recover some or all of the increased cost of fuel instead of adjusting the price for the transportation service.

The CRA considers the additional charge to be part of the consideration for the supply of the transportation service. As a result, the GST/HST is charged on the surcharge at the same rate as for the rest of the consideration for the transportation service.



In other words, where the supply of a transportation service is taxable at 6% or 14%, the entire charge for that service, including the fuel surcharge, is subject to GST/HST at the same rate. Similarly, where the supply of a transportation service is zero-rated (i.e., subject to tax at 0%), the entire charge for that supply of a transportation service, including the fuel surcharge, is zero-rated.

Please call GST/HST Rulings at 1-800-959-8287 to ask about fuel surcharges in your particular circumstances.

## **Trucking – driver services**

In the trucking industry, the services of truckers usually fall into one of three categories. The trucker is either an owner-operator, a self-employed driver or an employee of a carrier. The following explains the application of the GST/HST to each of these situations.

### Owner-operators

Where an owner-operator contracts with a carrier to supply freight transportation services using its own truck, those freight transportation services will be zero-rated (i.e., subject to tax at 0%) if the owner-operator meets the definition of a carrier. A carrier is the person who assumes liability to supply a freight transportation service.

Where an owner-operator does not assume liability to supply a freight transportation service, that owner-operator is not a carrier for purposes of the GST/HST. Instead, the owner-operator is providing a driving service. The supply of driving services is subject to GST/HST at 6% or 14% when supplied by a GST/HST registrant. The driver's services are a business input of the carrier.

### Self-employed drivers

Where a self-employed driver does not use its own truck and does not assume liability for the supply of a freight transportation service, the driver is not supplying a freight transportation service for GST/HST purposes, it is providing a driving service. The supply of a driving service is taxable at 6% or 14% when supplied by a GST/HST registrant. The driver's services are a business input of the carrier.

### Employee drivers

Where a carrier uses its employees to drive its trucks, the wages paid to these employees are not subject to the GST/HST.

For a more detailed discussion of freight transportation services please see Guide RC4080, *GST/HST Information for Freight Carriers* or GST/HST Memorandum 28.2, *Freight Transportation Services*. Please call GST/HST Rulings at 1-800-959-8287 to find out if you need to collect GST/HST in your particular circumstances.

## What's new in publications

The following is a list of new or revised excise and GST/HST forms and publications including those affected by the GST/HST rate reduction.

The CRA will make available to retailers, on request, information about the reduced rates for GST/HST and new stickers that show the new rate for each tax. The stickers can be displayed in places of business. Retailers will be able to order these items online at [www.cra.gc.ca](http://www.cra.gc.ca) or by calling 1-800-959-2221.

### *GST/HST Pamphlets/Guides*

RC2	<i>The Business Number and Your Canada Revenue Agency Accounts</i>
RC4022	<i>General Information for GST/HST Registrants</i>
RC4027	<i>Doing Business in Canada – GST/HST Information for Non-Residents</i>
RC4028	<i>GST/HST New Housing Rebate</i>
RC4033	<i>General Application for GST/HST Rebates</i>
RC4034	<i>GST/HST Public Service Bodies Rebate</i>
RC4049	<i>GST/HST Information for Municipalities</i>
RC4058	<i>Quick Method of Accounting for GST/HST</i>
RC4070	<i>Guide for Canadian Small Businesses</i>
RC4072	<i>First Nations Tax (FNT)</i>
RC4080	<i>Information for Freight Carriers</i>
RC4081	<i>GST/HST Information for Non-Profit Organizations</i>
RC4082	<i>GST/HST Information for Charities</i>
RC4100	<i>Harmonized Sales Tax and the Provincial Motor Vehicle Tax</i>
RC4117	<i>Tax Refund for Business Travel to Canada</i>
RC4160	<i>Tax Refund for Non-Resident Travel Organizers and Foreign Conventions</i>
RC4231	<i>GST/HST New Residential Rental Property Rebate</i>
RC4247	<i>The Special Quick Method of Accounting for Public Service Bodies</i>
RC4365	<i>First Nations Goods and Services Tax (FNGST)</i>

### *GST/HST Forms*

GST26	<i>Election or Revocation of an Election by a Public Service Body to Have an Exempt Supply of Real Property Treated as a Taxable Supply</i>
GST30	<i>Election for Passenger Vehicles or Aircraft to be Deemed To Be Used Exclusively in Non-Commercial Activities</i>
GST151	<i>GST/HST Credit Application for Individuals Who Become Residents of Canada</i>
GST176	<i>Application for Visitor Tax Refund</i>
GST189	<i>General Application for Rebate of GST</i>
GST190	<i>GST/HST New Housing Rebate Application for Houses Purchased from a Builder</i>
GST191	<i>GST/HST New Housing Rebate Application for Owner-Built Houses</i>
GST191-WS	<i>Construction Summary Worksheet</i>
GST192	<i>GST/HST Transitional Rebate Application for Builders of New Housing on Leased Land</i>
GST193	<i>GST/HST Transitional Rebate Application for Builders of New Housing</i>
GST287	<i>Election or Revocation of an Election by a Public Service Body To Use the Special Quick Method of Accounting</i>
GST288	<i>Supplement to forms GST189 and GST498</i>
GST498	<i>Rebate Application for Foreign Representatives, Diplomatic Missions, Consular Posts, International Organizations, or Visiting Forces Units</i>

GST510	<i>Application for Business Travel Tax Refund</i>
GST518	<i>GST/HST Specially Equipped Motor Vehicle Rebate Application</i>
GST521	<i>GST/HST Multi-Employer Pension Plan Trust Rebate Application</i>
GST524	<i>GST/HST New Residential Rental Property Rebate Application</i>
GST525	<i>Supplement to the New Residential Rental Property Rebate Application – Multiple Units</i>
GST531	<i>Return of self-assessment of the First Nations Goods and Services Tax (FNGST)</i>

***GST/HST Info Sheets***

GI-015	<i>GST/HST Rate Reduction and Purchasers of New Housing</i>
GI-016	<i>Applying the GST/HST Rate Reduction to Prepaid Funeral and Cemetery Arrangements</i>
GI-017	<i>GST/HST Rate Reduction – Streamlined Methods of Accounting for Small Businesses</i>
GI-018	<i>GST/HST Rate Reduction – Application to Price Adjustments, Adjustments for GST/HST Overcharged and Returned Goods</i>

***GST/HST Information Seminar***

T4071	<i>Small Business Information Seminar – Module II – GST/HST</i>
-------	---

***Excise Duty Notices***

EDBN7	<i>Excise Duty Rate Changes – Impact on Beer Inventories</i>
EDBN8	<i>Excise Duty Rates Changes for Beer – July 1, 2006</i>
EDBN9	<i>Reduced Rates of Excise Duty on Beer Brewed in Canada</i>
EDBN10	<i>Related or Associated Persons Rules for Brewers</i>
EDN14	<i>Excise Duty Rate Changes – Impact on Spirits and Wine Inventories</i>
EDN15	<i>Additional Information Relating to the Excise Duty Exemption on 100% Canadian Wine</i>

***Excise Duty Memoranda***

EDM1.1.2	<i>Regional Excise Duty Offices</i>
EDM1.5.1	<i>Rates of Excise Duty</i>

***Excise Forms***

B60	<i>Excise Duty Entry</i>
B265	<i>Excise Duty Return – Wine Licensee</i>
B270	<i>Excise Duty Return – Non-Licensee</i>
B273	<i>Excise Return – Tobacco Products Inventory Tax</i>
B274	<i>Record of Inventory – Tobacco Products Inventory Tax</i>

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at: [www.cra-arc.gc.ca/tax/technical/menu-e.html](http://www.cra-arc.gc.ca/tax/technical/menu-e.html)



### Prescribed rates of interest

The prescribed annual rate of interest in effect from July 1, 2006 to September 30, 2006, with respect to the GST/HST and the air travellers security charge (ATSC) is set at 3.5707% . Interest and penalty compound daily. To calculate interest, divide the annual rate by 365 (366 in a leap year) and apply it daily to the previous day's compound balance.

The prescribed annual rate of interest in effect from July 1, 2006 to September 30, 2006, with respect to amounts of income tax, excise tax and excise duty (except excise duty on beer) payable to the Minister (i.e., arrears and instalment payments) is established at 8%. The prescribed interest rate on amounts owed by the Minister (i.e., refunds) is established at 6%. These rates compound daily.

The prescribed annual rate of interest respecting excise duty on beer accounts is set at 6% for the period July 1, 2006 to September 30, 2006. Penalty compounds monthly and interest compounds daily.

Period	GST/HST ATSC (per annum)		Income Tax, Excise Tax, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)	
	Interest	Penalty	Refund Interest	Arrears and Instalment Interest	Interest	Penalty
<b>2006</b>						
July 1 – September 30	3.5707 %	6.0 %	6.0 %	8.0 %	6.0 %	6.0 %
April 1 – June 30	3.6099 %	6.0 %	6.0%	8.0 %	6.0 %	6.0 %
January 1 – March 31	2.4333 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %

Prescribed interest rates are adjusted every calendar quarter.

Rates of interest for previous periods are available on the CRA Web site.

**GST/HST Enquiries**

To make enquiries regarding your GST/HST account, call Business Enquiries at 1-800-959-5525

To make enquiries regarding the status of specific GST/HST domestic rebate claims, call  
1-800-565-9353

To make enquiries regarding the status of visitor rebate claims, call 1-800-668-4748

To obtain copies of forms and publications, call 1-800-959-2221

To order your replacement GST/HST stickers, call 1-800-959-2221.

If you are in Quebec please call the following toll-free number:  
1-800-567-4692 (Revenu Québec)

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST) as well as excise taxes and duties. This publication is provided for information purposes only and does not replace the law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Canada Revenue Agency (CRA) tax services office or call Business Enquiries at 1-800-959-5525. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, Ontario K1A 0L5. ISSN 1183-689X

## Table of Contents

Amendments to the point-of-sale rebate for printed books	1
Elimination of the Visitors Rebate Program	2
Excise duty thresholds for beer and wine	3
FNGST for the Tsawout First Nation	4
Charities and GST/HST	4
Supplies of independent medical examinations and assessments	5
Acquisition of a right to attend a conference by an Indian band.	6
Business Registration Online	7
Standardized Accounting	8
My Business Account	8
Prescribed rates of interest	9
What's new in publications	9



### Amendments to the point-of-sale rebate for printed books

The governments of the participating provinces (Nova Scotia, New Brunswick, and Newfoundland and Labrador) have announced changes, effective September 1, 2006, to their respective regulations that add products to the list of printed books and qualifying property (i.e., updates of printed books, audio recordings, and bound or unbound printed versions of scripture of any religion) which are eligible for a point-of-sale rebate of the 8% provincial component of the HST.

On October 6, 2006, the Department of Finance announced proposed changes, effective September 1, 2006, to the *Deduction for Provincial Rebate (GST/HST) Regulations* under the *Excise Tax Act*. This regulation facilitates the delivery, at the point-of-sale, of the provincial book rebates by providing a mechanism whereby vendors can deduct from their net tax remittances the amount of the rebate they pay to or credit in favour of purchasers.

The rebate is being expanded to include a new category of qualifying property called "composite property". Composite property consists of a printed book and read-only medium (and/or a right to access a website under certain conditions) that is wrapped, packaged or prepared for sale as a single product.

**More Ways to Serve You!**

**Pour vous servir encore mieux !**

La version française du présent bulletin est intitulée  
*Nouvelles sur l'accise et la TPS/TVH.*



Canada Revenue  
Agency

Agence du revenu  
du Canada

**Canada**



Composite property is eligible for the point-of-sale rebate under two situations.

**Situation 1:**

A printed book and a read-only medium sold together as a single product qualifies for the rebate if all or substantially all of the value of the material on the read-only medium is reasonably attributable to:

- (i) a reproduction of the printed book; and/or
- (ii) material that makes specific reference to the printed book and its content, and that supplements and is integrated with that content.

Under this situation, all or substantially all of the value of the material on the read-only medium must be reasonably attributable to material that meets the condition of being either (i) a reproduction of the printed book or (ii) material that supplements and is integrated with the printed book and its content. Any material on the read-only medium that does not make specific reference to the printed book and its content would not meet the second of these conditions. As well, the printed book must be the primary component of the package, and the material on the read-only medium must be supplementary to it.

**Situation 2:**

A printed book and a read-only medium and/or the right to access a website sold together as a single product qualifies for the rebate when the product is specially designed for use by students enrolled in a qualifying course and the read-only medium and/or website contain material that is related to the subject matter of the printed book.

Under this situation, the material on the read-only medium or the website must be related to the subject matter of the printed book. Material on the same subject matter would meet this test even if it did not specifically integrate with and supplement the content of the printed book.

Generally, for GST/HST purposes, a qualifying course would be an elementary, secondary or university level course. As well, certain professional accreditation and vocational courses are considered qualifying courses. Please refer to the GST/HST Memorandum 300-4-3, *Educational Services*, for more information on qualifying courses.

Please refer to Technical Information Bulletin B-094, *Amendments to the Point-of-Sale Rebate for Printed Books* for a more detailed discussion on this change to the rebate.

**Elimination of the Visitors Rebate Program**

A Notice of Ways and Means Motion to amend the *Excise Tax Act* was tabled in the House of Commons on September 25, 2006. The proposed amendments would eliminate the GST Visitor Rebate Program effective April 1, 2007.

Details regarding the provincial component of the HST as it relates to the Visitor Rebate Program will be provided at a later date.

The GST Visitor Rebate Program refunds the GST and the HST in respect of goods exported from Canada by non-residents, short-term accommodation and certain tour packages for non-residents, and certain property and services used in the course of conventions held in Canada.

Under the proposed amendments, if a written agreement for a supply to which relief for the GST, or the federal component of HST, applies was entered into prior to September 25, 2006, the relief would generally continue to be available. In addition, the current one-year period to claim a rebate would continue to apply. Please note that non-resident businesses will still be eligible for a rebate of the GST or the federal component of the HST on goods exported in the course of the business's commercial activities (excluding goods exported for personal use).

The Department of Finance News Release and The Notice of Ways and Means Motion and a schedule which lists the proposed amendments can be found on the Department of Finance Canada Web site at [www.fin.gc.ca](http://www.fin.gc.ca) under News Releases.

### Excise duty thresholds for beer and wine

Draft legislative proposals were announced June 28, 2006 to amend the *Excise Act, 2001* and the *Excise Act*. Once made into law, these proposals would modify excise duty volume thresholds for beer and wine that had been announced in the federal budget of May 2, 2006.

### Beer

The budget proposed to provide partial excise duty relief for the first 75,000 hectolitres (hL) produced and packaged by Canadian licensed brewers who have produced and packaged no more than 300,000 hL of beer in the previous calendar year and do not exceed that limit in the current calendar year. After further consultations with the industry, it is proposed that the 300,000 hL threshold be eliminated. As a result, this relief would apply to the first 75,000 hL produced and packaged by **all** Canadian brewers. For more information please see Excise Duty Notice EDBN9, *Reduced Rates of Excise Duty on Beer Brewed in Canada*.

As well, where licensed brewers are related or associated with other brewers, the 75,000 hL limit must be allocated amongst the related or associated brewers. See Excise Duty Notice EDBN 10, *Related or Associated Persons Rules for Brewers* for information on related and associated persons. Imported beer is not eligible for the reduced rates of excise duty.

### Wine

The budget also proposed to exempt from federal excise duty the first 500,000 litres of wine produced and packaged by a wine licensee per year made wholly from Canadian-grown agricultural products. After further consultations with the industry, it is proposed that the 500,000 litre threshold be eliminated, allowing all Canadian wineries to benefit from the exemption on **all** their production that is made from wholly Canadian-grown agricultural products. For more information please see Excise Duty Notice EDN15, *Additional Information Relating to the Excise Duty Exemption on 100% Canadian Wine*.

Please note that this exemption does not eliminate the requirement to maintain proper books and records and to file monthly returns.

### **FNGST for the Tsawout First Nation**

Effective October 1, 2006 a First Nations Goods and Services Tax (FNGST) will apply to supplies made on or delivered to the Tsawout First Nation reserves in British Columbia.

As the FNGST is designed to work within the GST framework, no additional forms or registration will be required and vendors will simply apply the FNGST in the same manner as the GST/HST. Please note that, under specified conditions, an exception exists for leased vehicles under the *First Nations Goods and Services Tax Act*. Everyone, including status Indians, pays the FNGST.

### **Self-assessment**

The Tsawout First Nation and its members are still eligible for tax relief on goods and services acquired on a reserve where FNGST or FNT does not apply. However, goods that are acquired tax relieved and brought onto the Tsawout First Nations reserves will be subject to the FNGST. Form GST531 *Return for Self-assessment of the First Nations Goods and Services Tax (FNGST)*, would have to be completed and submitted to the Canada Revenue Agency together with the FNGST payable on the self-assessment for the goods.

### **Charities and GST/HST**

For GST/HST purposes, a charity includes a registered charity or registered Canadian amateur athletic association under the *Income Tax Act*. Charities that are small suppliers are not required to register for the GST/HST and do not collect GST/HST on taxable supplies (other than taxable sales of land or buildings). A charity is considered a small supplier if it has either \$250,000 or less in annual gross revenue or not more than \$50,000 in annual worldwide taxable supplies (other than sales of capital assets, such as a building or a computer).

Charities may be entitled to a Public Service Body Rebate of 50% on the GST (and in most cases also the HST) that they have paid that cannot be claimed as an input tax credit. A charity does not have to be registered for the GST/HST to claim this rebate.

### **GST/HST registrants**

Most charities that are GST/HST registrants are required to use a special net tax calculation referred to as the "Net Tax Calculation for Charities". By using this calculation, charities remit 60% of the GST/HST they collect on most taxable supplies, while remitting 100% of the GST/HST they collect on certain supplies such as sales of real property and capital personal property. They cannot claim input tax credits on the GST/HST paid or payable on most items, however, they may be able to claim an input tax credit for GST/HST paid or payable on certain purchases, such as real property and capital personal property. These rules do not apply to a charity that is a school authority, public college, university, hospital authority, or a local authority determined to be a municipality.

### **Designated charities**

Certain charities that provide employment assistance to individuals with disabilities can be given a special designation under the *Excise Tax Act*. To be eligible, one of the charity's main purposes must be to provide employment, training for employment, or employment placement services for individuals with disabilities, or to provide instructional services to assist such individuals in securing employment. The



charity must also supply, on a regular basis, services that are performed, in whole or in part, by individuals with disabilities.

Once designated, most of the otherwise exempt supplies of services the charity makes to GST/HST registrants will be taxable. Supplies of some services, such as childcare and educational services, are not affected by the designation and remain exempt. Furthermore, supplies of the following services, when made by a designated charity to a public sector body or a board, commission, or other body established by a government or a municipality will remain exempt:

- care, employment, or training for employment of individuals with disabilities;
- employment placement services for such individuals; or
- the provision of instruction to assist such individuals in securing employment.

Once designated, the charity can use the "Special Quick Method of Accounting for Public Service Bodies" to calculate its net tax remittances. For information on this method, see the guide RC4247, *The Special Quick Method of Accounting for Public Service Bodies*.

Charities may request to be designated by writing to:

Director, Public Services Bodies and Governments Division,  
Excise and GST/HST Rulings Directorate  
14th floor, Tower A, Place de Ville,  
Ottawa ON K1A 0L5.

For further details concerning the designation process, please contact GST/HST Rulings at 1-800-959-8297 (English) or 1-800-959-8296 (French).

For a comprehensive discussion about the GST/HST and charities, please refer to the CRA guide RC4082, *GST/HST Information for Charities*.

### **Supplies of independent medical examinations and assessments**

The CRA has issued a policy statement to explain its position on the tax status of providing independent medical examinations (IME) and independent assessments. The following is a brief outline of this policy.

An IME means the service of providing an expert opinion contained in a written report. This report is prepared by a medical practitioner acting in the course of the practice of medicine (i.e., a physician). The expert opinion may be supplied by a physician or by the operator of a health care facility.

An independent assessment means the service of providing an expert opinion which is contained in a written report that is prepared by a medical practitioner acting in the course of the practice of dentistry, or a practitioner acting in the course of a practice of optometry, physiotherapy, chiropractic, podiatry, osteopathy, audiology, speech therapy, occupational therapy, or psychology.

These expert opinions are supplied to a third party regarding the future and ongoing medical or health care treatment of an individual who is of interest to the third party. A third party is any person or organization other than the supplier or the individual (e.g., insurance company, lawyer, tribunal or government). In most cases the expert opinion involves a meeting (i.e., an interview or an examination) between the supplier and the individual.

The tax status of IMEs and independent assessments is as follows:

- The service of supplying an IME falls within the meaning of “institutional health care service” when it is provided in a “health care facility” and where this service is rendered to a patient of the supplier’s health care facility, the supply made by the operator of the health care facility is exempt under section 2 of Part II of Schedule V to the *Excise Tax Act* (the Act).
- The supply of a service made by a physician of providing an IME and the supply of a service made by a dentist of providing an independent assessment are exempt under section 5 of Part II of Schedule V to the Act.
- The supply of a service made by a practitioner (acting in the course of a practice of optometry, physiotherapy, chiropractic, podiatry, osteopathy, audiology, speech therapy, occupational therapy, or psychology) of providing an independent assessment is exempt under section 7 of Part II of Schedule V to the Act.

For a more detailed discussion please refer to GST/HST Policy Statement P-248, *The Application of the GST/HST to the Supply of an Independent Medical Examination (IME) and to Other Independent Assessments*.

#### **Acquisition of a right to attend a conference by an Indian band.**

An Indian band does not have to pay the GST/HST on property acquired on or delivered to a reserve by the vendor or the vendor’s agent. (Section 87 of the *Indian Act* provides relief of tax on personal property of an Indian band situated on a reserve.)

Property includes tangible personal property and intangible personal property. Intangible personal property (IPP) consists of things such as contractual rights, options, trademarks and other intellectual property, all of which cannot be delivered to a reserve for tax purposes. Indian bands are not entitled to relief of tax on IPP where the IPP is located off a reserve. Jurisprudence has developed the connecting factors test which the CRA applies when determining the location of IPP acquired by Indian bands for tax purposes.

Under the *Excise Tax Act*, the right to attend a conference is a supply of IPP. It is the CRA’s position, based on jurisprudence, that where an Indian band acquires the right to attend a conference held off a reserve for band management activities, the right is considered to be situated on a reserve. The band will be required to provide a certificate to the conference provider indicating that the conference is for band management activities.

Therefore, where an Indian band acquires the right to attend a conference held off a reserve for band management activities and plans to send its employees, band officials or members of the band to the conference, the conference provider may give tax relief to the Indian band where all the remaining conditions in *Technical Information Bulletin B-039R3, GST/HST Administrative Policy – Application of GST/HST to Indians* are met.

Band-empowered entities, as defined in the bulletin, would also be eligible for tax relief where the conference is acquired for band management activities and the remaining conditions pertaining to band-empowered entities in the bulletin are met.

While Indian individuals are entitled to acquire a right to attend a conference held on a reserve relieved of tax, they are required to pay the tax on a right to attend a conference held off a reserve.

Please note that if a conference organized by a registrant takes place on the lands of a First Nation who have imposed a First Nations Goods and Services Tax (FNGST), everyone, including First Nations and their members, pays the FNGST when acquiring the right to attend the conference.

### **Business Registration Online**

The CRA created a business registration Web site for small and medium-sized businesses.

Business Registration Online is a one stop, online, self-serve application that allows you to register for a new Business Number (BN), as well as for four major CRA programs (Corporate Income Tax, GST/HST, Payroll Deductions, and Import / Export accounts). You can also register or apply for new Ontario, Nova Scotia, and British Columbia program accounts.

The site provides information about security features built into the system, as well as steps that users can follow to help ensure a safe transmission of data. As well, a toll-free help desk telephone number is available if further assistance is needed.

You can register for the following programs by visiting Business Registration Online, at [www.cra-arc.gc.ca/tax/business/topics/bn/bro/restrictions-e.html](http://www.cra-arc.gc.ca/tax/business/topics/bn/bro/restrictions-e.html), or by following these links from the CRA home page; Business, Business Account Registration, Business Registration Online:

### **CRA programs**

GST/HST (If a business's main mailing address is in Quebec, the business must contact Revenu Québec to register for a GST/HST account)

Payroll deductions

Corporate income tax

Import/export

### **Nova Scotia programs**

Business Name with the Registry of Joint Stocks Companies

Workers' Compensation Board of Nova Scotia

### **Ontario programs**

Ontario Business Name registration or renewal

Ontario Retail Sales Tax

Ontario Employer Health Tax

Ontario Workplace Safety and Insurance Board



## British Columbia programs

Provincial Sales Tax  
Hotel Room Tax  
WorkSafe BC  
Incorporation of BC companies  
**Standardized Accounting**

Following the Federal Budget 2006 and the announcement of further initiatives relating to Standardized Accounting, this newsletter published an article which included information on Standardized Accounting in the Spring 2006 edition of the *Excise and GST/HST News* (No. 60). Since that time, the CRA has published GST/HST Notice 212, a collection of Questions and Answers, to further clarify the legislative amendments to the *Excise Tax Act*.

Prior to the April 1, 2007 effective date we will be providing more information to help you apply these changes. The next edition (No.63) of the *Excise and GST/HST News*, which will be published in winter 2007, will highlight the new Standardized Accounting rules. To ensure that you receive this edition of the newsletter, subscribe to the electronic mailing list and we will notify you when the latest edition has been published on the CRA Web site.

During the fall 2006 and winter 2007, we will send you inserts to announce key legislative changes for businesses and provide information related to the implementation of a new GST/HST system. This new system will result in new services and more account information for GST/HST registrants.

## My Business Account

Designed to serve the needs of businesses, My Business Account offers business owners, including directors or officers of corporations, access to a growing range of personalized business information and services. For the Fall 2006, limited services will be available for GST/HST and payroll accounts and throughout 2007, additional information and services for GST/HST accounts will be added.

Launched on September 25, 2006, My Business Account provides business owners with the convenience of using a single user ID and password to:

- file a corporation income tax return
- make certain online requests
- register a formal dispute (except GST/HST)
- request a CPP/EI ruling
- view a business address
- view status of a corporation income tax return
- view an account balance for corporation tax and excise duties and taxes
- view Excise duties and taxes transaction details and endorsements

For more information about this new electronic service, visit [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

**Prescribed rates of interest**

The prescribed annual rate of interest in effect from October 1, 2006 to December 31, 2006, with respect to the GST/HST and the air travellers security charge (ATSC) is set at 3.5707% . Interest and penalty compound daily. To calculate interest, divide the annual rate by 365 (366 in a leap year) and apply it daily to the previous day's compound balance.

The prescribed annual rate of interest in effect from October 1 to December 31, 2006, with respect to amounts of income tax, excise tax and excise duty (except excise duty on beer) payable to the Minister (i.e., arrears and instalment payments) is established at 9% The prescribed interest rate on amounts owed by the Minister (i.e., refunds) is established at 7%. These rates compound daily.

The prescribed annual rate of interest respecting excise duty on beer accounts is set at 7% for the period October 1, 2006 to December 31, 2006. Penalty compounds monthly and interest compounds daily.

Period	GST/HST ATSC (per annum)		Income Tax, Excise Tax, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)	
	Interest	Penalty	Refund Interest	Arrears and Instalment Interest	Interest	Penalty
<b>2006</b>						
October 1 – December 31	3.5707 %	6.0 %	7.0 %	9.0 %	7.0 %	6.0 %
July 1 – September 30	3.5707 %	6.0 %	6.0 %	8.0 %	6.0 %	6.0 %
April 1 – June 30	3.6099 %	6.0 %	6.0 %	8.0 %	6.0 %	6.0 %
January 1 – March 31	2.4333 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %

Prescribed interest rates are adjusted every calendar quarter.

Rates of interest for previous periods are available on the CRA Web site.

**What's new in publications**

The following is a list of new or revised excise and GST/HST forms and publications.

***GST/HST Memoranda Series***

19-3-1-1      *Stated Price Net of Rebate*

***GST/HST Technical Information Bulletins***

B-094      *Amendments to the Point-of-Sale Rebate for Printed Books*

***GST/HST Info Sheets***

GI-007R      *Operating a Bed and Breakfast in your Home*  
 GI-019      *Newspaper Carriers*  
 GI-020      *Bars*  
 GI-021      *Snack Foods*  
 GI-022      *Application of the GST/HST to Sales of Water*  
 GI-023      *Direct Sellers' Sales Aids*

***GST/HST Policy Statements***

- P-248      *The Application of the GST/HST to the Supply of an Independent Medical Examination (IME) and to Other Independent Assessments*  
P-249      *Agreements and Novation*

***GST/HST Guides***

- RC4031      *Tax Refund for Visitors to Canada*  
RC4036      *GST/HST Information for the Travel and Convention Industry*  
RC4103      *GST/HST Information for Suppliers of Publications*  
RC4125      *Basic GST/HST Information for Taxi and Limousine Operators*  
RC4091      *GST/HST Rebate for Partners*

***GST/HST Notices***

- Notice214      *Implementation of Tsawout First Nations Goods and Services Tax*

***GST/HST Forms***

- GST60      *GST/HST Return for Acquisition of Real Property*  
GST494      *Goods and Services Tax/Harmonized Sales Tax Final Return for Selected Listed Financial Institutions*  
GST495      *Rebate Application for Provincial Part of Harmonized Sales Tax (HST)*  
GST515      *Direct Deposit Request for the GST/HST New Housing Rebate*

***Excise Duty Circular***

- ED212-1      *Brewery Regulations*

***Excise Duty Memoranda Series***

- EDM10-1-6      *Completing an Excise Duty Return – Wine Licensee*

***Excise Forms***

- B200      *Tax Return – Excise Tax Act*  
B249      *Air Travellers Security Charge Return*  
B253      *Softwood Lumber Products Export Charge – Registration Form*  
B253-1      *Softwood Lumber Products Export Charge – Independent Remanufacturer Supplement*  
B253-2      *Softwood Lumber Products Export Charge – Registration Supplement – Multiple Regions or Mills*  
B261      *Excise Duty Return – Duty Free Shop*  
B262      *Excise Duty Return – Excise Warehouse Licensee*  
B263      *Excise Duty Return – Licensed User*  
B264      *Excise Duty Return – Special Excise Warehouse Licensee*  
B266      *Excise Duty Return – Spirits Licensee*  
B267      *Excise Duty Return – Tobacco Licensee*



All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at: [www.cra-arc.gc.ca/tax/technical/menu-e.html](http://www.cra-arc.gc.ca/tax/technical/menu-e.html)

**GST/HST Enquiries**

To make enquiries regarding your GST/HST account, call Business Enquiries at 1-800-959-5525

To make enquiries regarding the status of specific GST/HST domestic rebate claims, call  
1-800-565-9353

To make enquiries regarding the status of visitor rebate claims, call 1-800-668-4748

To obtain copies of forms and publications, call 1-800-959-2221

If you are in Quebec please call the following toll-free number:  
1-800-567-4692 (Revenu Québec)

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST) as well as excise taxes and duties. This publication is provided for information purposes only and does not replace the law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Canada Revenue Agency (CRA) tax services office or call Business Enquiries at 1-800-959-5525. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, Ontario K1A 0L5. ISSN 1183-689X

# Excise and GST/HST News

No. 63

Winter 2007

## Table of Contents

Notice of Ways and Means Motion .....	1
Exemption for midwifery services .....	4
Application for direct sellers to use the alternate collection method .....	4
Documentary requirements for Internet sales to Indians and Indian bands .....	6
Consultants' invoices .....	6
GST/HST Redesign and Standardized Accounting .....	7
What's new in publications .....	10
Prescribed rates of interest .....	13
GST/HST Enquiries .....	13

## Notice of Ways and Means Motion

On November 27, 2006, the Minister of Finance tabled a Notice of Ways and Means Motion in the House of Commons to implement measures aimed at increasing the fairness, efficiency, and ease of compliance and administration of the sales tax system. These measures have been incorporated into Bill C-40, an Act to amend the *Excise Tax Act*, the *Excise Act, 2001* and the *Air Travellers Security Charge Act*, which received first reading in the House of Commons on December 5, 2006.

The proposed measures pertain to the GST/HST, excise duties on wine, spirits, and tobacco and the application of the air travellers security charge (ATSC).

Most of these proposals were previously released as Notice of Ways and Means Motions and draft legislative amendments dated November 17, 2005, October 3, 2003, June 24, 2003, December 20, 2002, and February 8, 2002.

For both the *Excise Tax Act* and the *Excise Act, 2001* proposed measures were announced which permit the Minister of National Revenue to exchange information with foreign governments that are signatories to the Convention on Mutual Administrative Assistance in Tax Matters. As well, the proposed measures add a discretionary power under both the *Excise Tax Act* and the *Excise Act, 2001* for the Chief Statistician of Canada to provide statistical information concerning business activities in a province to a statistical agency in that province.

More Ways to Serve You!

Pour vous servir encore mieux!

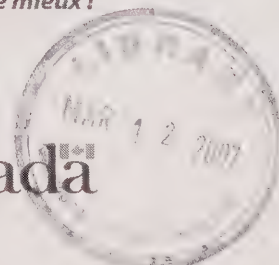
La version française du présent bulletin est intitulée  
*Nouvelles sur l'accise et la TPS/TVH.*



Canada Revenue  
Agency

Agence du revenu  
du Canada

Canada





## GST/HST Measures

The following are highlights of the proposed measures to amend the *Excise Tax Act*:

### Health

- Confirms the exemption for speech-language pathology services.
- Exempts health-related services of a social worker.
- Zero-rates supplies of plasma expanders.
- Zero-rates the group of drugs collectively known as Benzodiazepines.
- Broadens the specially equipped vehicle GST/HST rebate to include motor vehicles that have been used subsequent to being specially equipped for use by individuals with disabilities.

### Charities

- Ensures that the exemption of supplies by charities of real property under short-term leases and licences extends to any goods supplied together with such real property.

### Business arrangements

- Provides transitional relief for the initial asset transfer by a foreign bank that restructures its Canadian subsidiary into a Canadian branch.
- Excludes beverage container deposits that are refundable to the consumer from the GST/HST base.
- Permits an agent to claim a GST/HST deduction for bad debts.
- Clarifies the treatment of the operation of mechanical coin-operated devices which accept only a single coin of twenty-five cents or less.
- Broadens certain conditions for making the section 156 election for nil consideration.

### Governments

- Ensures that the small supplier division of a municipality is treated in the same manner as a municipality that is a small supplier.
- Exempts the supply of a right to file or retrieve a document or information stored in an electronic official registry.

### HST-related rules

- Limits the availability of the current Nova Scotia HST new housing rebate to first-time homebuyers and reduces the maximum rebate available to \$1,500.
- Includes in the Act the provisions of the draft *Specified Motor Vehicle (GST/HST) Regulations*, which prescribe the value of a specified motor vehicle for the purposes of calculating the 8 % provincial component of the HST in circumstances where the vehicle is brought into a participating province and prescribe the manner in which that tax is required to be paid.

### Administration of the GST/HST

The proposed measures relating to the administration of the GST/HST add a discretionary power for the Minister of National Revenue to accept:

- late-filed applications for the GST new housing rebate and the Nova Scotia HST new housing rebate for owner-built homes, where exceptional circumstances have prevented an applicant from meeting the normal filing deadline; and
- late-filed elections under subsection 225.2(4) of the Act between closely related financial institutions, one of which is a selected listed financial institution, for adjustments the selected listed financial institution is required to make related to the provincial component of the HST.

### **Excise Duty Measures**

The following are highlights of the proposed measures to amend the *Excise Act, 2001*:

#### Tobacco

- Extends the requirement to identify the origin of tobacco products to all tobacco products, including those for sale at duty-free shops or for export, consistent with the Framework Convention on Tobacco Control.
- Clarifies that cigarettes, tobacco sticks, fine-cut tobacco or cigars, but **not** packaged raw leaf tobacco, may be supplied to the export market or the domestic duty-free market.

#### Alcohol

- Authorizes private laboratories, provincial liquor boards and vintners to possess a still or similar equipment and produce spirits for the purpose of analyzing substances containing ethyl alcohol without holding a spirits licence.
- Defers the payment of duty by small vintners selling wine on consignment in retail stores operated by an association of vintners until the wine is sold.

### **Air Travellers Security Charge Measures**

These measures relieve, in particular circumstances, the ATSC in respect of air travel sold by resellers or donated by air carriers, and provide authority for the Governor in Council to add, delete, or vary by regulation the schedule of listed airports.

### **More information**

More information on the Notice of Ways and Means Motion of November 27, 2006, including the effective dates of the measures listed above, can be found on the Department of Finance Canada Web site at [www.fin.gc.ca](http://www.fin.gc.ca) under the headings Media Room, News Releases.

## Exemption for midwifery services

On December 28, 2006 the Minister of Finance proposed an amendment to the *Excise Tax Act* to exempt the services of midwives from the GST/HST.

It is proposed that the profession of midwifery be added to the list of health care practitioners whose services are exempt from the GST/HST, when the services are rendered to an individual.

The exemption is proposed to apply to supplies of midwifery services made after December 28, 2006.

For more information please see the Department of Finance Canada Web site at [www.fin.gc.ca](http://www.fin.gc.ca)

## Application for direct sellers to use the alternate collection method

Direct sellers are persons that market their products to consumers through distributors and/or independent sales contractors ("contractors"), who solicit orders and deliver merchandise directly to consumers.

Direct sellers sell their exclusive products ("products") to distributors and/or contractors. Contractors are persons who purchase products from a direct seller, or from a distributor of the direct seller, to sell to other contractors or to consumers, and who make no more than 50% of their sales through a place of business other than their homes. "Consumers" in this context, means persons that buy property that is a product of a direct seller for their own use, and not for resale.

To simplify accounting for GST/HST, many direct sellers choose to use the alternate collection method (ACM). Under the ACM, the direct seller accounts for the GST/HST on the contractor's sales of products to consumers, instead of the contractor.

Some direct sellers sell products to contractors who are distributors. Distributors resell at least some of the products they purchase to other contractors who then sell to consumers. In some organizations, the distributor, instead of the direct seller, accounts for the GST/HST using the ACM.

## Application to use ACM

Direct sellers who choose to use the ACM must apply to the CRA to request approval before first using the method. If a direct seller and a distributor wish to have the distributor account for GST/HST using the ACM, they must submit a joint application. Applications to request the use of the ACM must be made in writing and sent to the applicant's local tax services office to the attention of the Assistant Director, Audit Division.

A written request to use the ACM should include all of the following information:

- identification of direct seller (and distributor(s), if a joint application)
  - GST/HST registration number(s),
  - full legal name(s) and trading name(s), and
  - full address(es) and telephone number(s);



- the starting date to use the ACM;
- a statement that the direct seller sells some products through contractors to consumers;
- a statement that contractors
  - are not agents or employees of the direct seller or distributor(s),
  - do not solicit, negotiate or enter into contracts for the sale of products of the direct seller to consumers primarily (more than 50%) at a fixed place of business (other than a private residence), and
  - have a contractual right to purchase products from the direct seller or distributor(s) for sale to other contractors or consumers;
- a statement that the direct seller is aware that the approval to use the ACM may be revoked if the direct seller or distributor(s) fails to comply with the *Excise Tax Act* ;
- a statement that certifies that the information given in the application, and any document attached, is true, correct, and complete to the best of the applicant's knowledge; and
- the signature(s) of person(s) authorized to sign on behalf of the direct seller or distributor(s);

The CRA will notify the direct seller and distributor(s) in writing when an application is approved and will confirm the date the approval takes effect.

### **New request or revocation of request**

If any of the following changes occur:

- a change in legal structure, for example, a reorganization or an amalgamation of a direct seller or a distributor;
- a decision by a new distributor to use the ACM; or
- a decision by an approved distributor to cease using the ACM;

a new request and application to use the ACM and/or a request to revoke an existing approval must be submitted. Furthermore, any such changes involving a distributor require a joint application or request with the direct seller.

For more information about the ACM, refer to GST/HST Memorandum 14.1, *Direct Sellers*.

## Documentary requirements for Internet sales to Indians and Indian bands

The CRA's policy on making sales to Indians and Indian bands (bands) is found in GST/HST Technical Information Bulletin (TIB) B-039R3, *GST/HST Administrative Policy - Application of the GST/HST to Indians*.

In order to provide tax relief at the time of sale, the conditions outlined in TIB B-039R3 must be met when making sales to Indians and bands. One of these conditions is that the vendor maintains documentary evidence that the sale was made to an Indian or a band and that the property was sold on a reserve or was delivered to a reserve by the vendor or the vendor's agent.

When purchasing over the Internet, the purchaser does not have the opportunity to present his or her Certificate of Indian Status card to the vendor at the time of the purchase. As a result, the vendor may not be able to meet the documentary evidence required under TIB B-039R3 to make a tax-relieved sale.

However, the CRA will allow for a copy of the status card to be mailed or sent electronically to the vendor to support the tax relief given to an individual Indian at the time of the sale. The information on the status card must match the information provided on-line by the purchaser to the vendor.

When supplies are made to a band, the CRA considers a certificate indicating that the property is being acquired by a band as satisfactory documentary evidence. When a band is making a purchase of property on-line, the band may mail or electronically send such a certificate. The vendor must retain this certificate as evidence that the property was sold to a band. If received electronically, the certificate and related correspondence must also be retained in an electronically readable format.

When making sales to Indians or bands, documentary evidence is only one of the conditions that must be met in order for the Indians and bands to receive GST/HST relief. The remaining conditions in TIB B-039R3 must also be met at the time of the sale. Otherwise, GST/HST must be charged by the vendor.

Where an Indian or a band purchases goods on-line that will be imported into Canada (even if the goods are delivered to a reserve in Canada), any applicable duties or taxes must be paid to the Canada Border Services Agency.

## Consultants' invoices

Registered consultants are required to charge the GST/HST on their base contract amount. The treatment of additional expenses depends on the agreement between the consultant and the client.

Consultants may or may not be agents of their clients. Where a consultant is not acting as an agent of its client, expenses incurred by a consultant that a client has agreed to reimburse are treated as additional consideration payable by the client for the consultant's services. The reimbursement for these expenses is treated in the same manner as the consultant's base contract amount (i.e., the GST/HST is applicable on the amount being reimbursed). As a registrant, the consultant can claim input tax credits for the GST/HST paid or payable on the expenses. Even if consultants are agents of their clients, they do not

necessarily incur all of their expenses as agents. Therefore, it is important to determine whether the expense that is being reimbursed by the client has been incurred by the consultant as the client's agent.

Where a consultant incurs an expense to acquire a supply as the client's agent, the client is considered to be the recipient of the supply. The reimbursement for the expense incurred by the consultant as agent is not treated as additional consideration, and the consultant is not eligible to claim an input tax credit for the GST/HST paid or payable on the supply. Instead, the consultant would flow through the expense, including any applicable GST/HST to the client. The client can claim input tax credits for the GST/HST paid or payable on the consulting services in addition to the GST/HST on the expense incurred by the consultant as its agent to the extent that the services were provided in the course of the client's commercial activities. However, if the supply did not attract GST/HST when acquired by the consultant as an agent (e.g., a zero-rated or an exempt supply), the supply would flow through to the client without the GST/HST, and no input tax credit could be claimed.

For more information on agents please see GST/HST Policy Statement P-182R, *Agency* and GST/HST Info Sheet GI-012, *Agents*.

## **GST/HST Redesign and Standardized Accounting**

The Canada Revenue Agency (CRA) is replacing its current GST/HST processing system on April 10, 2007.

The CRA is sending information to registrants by mail and with their returns about:

- the implementation of the new processing system;
- the availability of new services and more account information;
- the temporary interruption in service; and
- key legislative changes that will affect registrants.

## **New services and more account information**

Through *Online Requests for Business*, GST/HST registrants will be able to electronically ask the CRA to perform certain actions on their account, such as:

- searching for the status of a payment;
- reviewing interest charged or paid;
- transferring a credit to certain other accounts;
- providing additional remittance vouchers for payments;
- providing account statements such as a statement of arrears and/or a statement of interim payments;
- providing copies of previously issued notices or statements; and
- changing some of the communication instructions on accounts, such as stopping us from sending certain statements or the return envelope with remittance voucher(s).

Registrants will be able to access these services by visiting [www.cra.gc.ca/requests-business](http://www.cra.gc.ca/requests-business) or through My Business Account at [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

We will also send you, on a regular basis, statements and notices about the status of your account.



## Temporary interruption in service

As we convert to our new system, there will be a temporary interruption in service from March 19 to April 9, 2007. During this time, you should expect a delay in the processing of your return, and we may not be able to answer specific questions regarding your GST/HST account or the status of your refund. However, we will continue to create GST/HST accounts and provide Business Numbers.

During this interruption in service, you still have to file your returns and make your payments as required.

Note that from April 6 to April 9, 2007, the GST/HST NETFILE and GST/HST TELEFILE services will not be available. However, you will still be able to file your return and remit payments through your online banking service, by mail, or through your third-party service provider during that period.

Please continue to check the CRA Web site for updates.

## Transfer of jurisdiction

Currently, the mailing address of your GST/HST program account is used to determine whether Revenu Québec or the CRA administers it. As of April 2007, the business address will be used to determine the organization responsible for administering GST/HST. All accounts will be reviewed and transferred between the CRA and Revenu Québec as necessary, and all affected registrants will be notified by mail.

## Standardized Accounting – key legislative changes for businesses

These measures will take effect April 1, 2007.

### New failure to file penalty

A penalty will be charged if your GST/HST return is filed late. This penalty is equal to 1% of the amount unpaid or outstanding for the reporting period as of the return due date, plus 0.25% of the overdue amount times the number of complete months the return was overdue, to a maximum of 12 months.

### Refund hold

If you are expecting a refund after filing your GST/HST return or a rebate application, you will receive the refund or rebate amount **only if you have filed all returns for all of your applicable business program accounts** required under the *Excise Tax Act*, the *Income Tax Act*, the *Excise Act, 2001*, and the *Air Travellers Security Charge Act*.

### Offset of refunds

If you are expecting a refund after filing your GST/HST return or a rebate application and you owe an amount under the *Excise Tax Act*, the *Income Tax Act*, the *Excise Act, 2001*, or the *Air Travellers Security Charge Act*, the refund or rebate may be used to offset the other debt.

Calculation of interest

The prescribed interest rate paid on a refund of net tax or on a rebate of GST/HST will be the basic rate, plus 2%. The prescribed interest rate charged on an overdue amount will be the basic rate, plus 4%. The basic rate is based on the rate charged on 90-day Treasury Bills, adjusted quarterly, and rounded up to the nearest whole percentage (expressed as a percentage per year). This new calculation replaces the 6% late remitting penalty.

Date interest begins

Interest on a refund of net tax or overpayment will be paid beginning 30 days after the **later of**

- the day the return in which the refund or overpayment arises, is filed; and
- the day after the end of your reporting period.

In the case of rebates, interest will be paid beginning on the day that is 30 days after the application in which the rebate claim is filed and ending on the day the rebate is paid.

To learn more about the standardized accounting legislative changes see GST/HST Info Sheet GI-024, *Harmonizing the Administrative Provisions Respecting Standardized Accounting*.

## What's new in publications

The following is a list of new or revised excise and GST/HST forms and publications.

### ***GST/HST Memoranda Series***

- |      |   |
|------|---|
| 1.2  | GST/HST Memorandum 1.2 Canada Revenue Agency GST/HST Rulings Centres (correction) |
| 1.4  | Excise and GST/HST Rulings and Interpretations Service (revised)                  |
| 4.3  | Basic Groceries (revised)   |
| 31.0 | Objections and Appeals (revised)  |

### ***GST/HST Technical Information Bulletins***

- |       |  |
|-------|--|
| B-094 | Amendments to the Point-of-Sale Rebate for Printed Books |
|-------|--|

### ***GST/HST Info Sheets***

- |        |  |
|--------|--|
| GI-006 | ABM Services (revised)   |
| GI-024 | Harmonizing the Administrative Provisions Respecting Standardized Accounting |

### ***GST/HST Guides***

- |        |  |
|--------|--|
| RC4213 | Your Rights  |
| RC4050 | GST/HST Information for Selected Listed Financial Institutions |
| RC4091 | GST/HST Rebate for Partners                                    |
| RC4214 | Your Rights in Your Dealings with the Canada Revenue Agency    |

### ***GST/HST Notices***

- |           |  |
|-----------|--|
| NOTICE215 | Draft Revised GST/HST Policy Statement P-125R Input Tax Credit Entitlement for Tax on Imported Goods |
|-----------|--|

### ***GST/HST Forms***

- |       |   |
|-------|---|
| GST25 | Closely Related Corporations and Canadian Partnerships - Election or Revocation of the Election to Treat Certain Taxable Supplies as having been made for Nil Consideration |
|-------|---|



GST523-1	Non-profit organizations - Government Funding
GST532	Agreement and Revocation of an Agreement Between Supplier and Constructive Importer
GST370	Employee and Partner GST/HST Rebate Application
GST494	Goods and Services Tax/Harmonized Sales Tax Final Return for Selected Listed Financial Institutions

*Excise Duty Notice*

EDBN-11 K50B Filing and Payment Schedules for Brewers (2007-2008)

*Excise Duty Memoranda Series*

EDM1-1-2 Regional Excise Duty Offices (updated)  
EDM3-1-1 Producers and Packagers of Spirits (revised)  
EDM4-1-1 Producers and Packagers of Wine (revised)  
EDM10-1-6 Completing an Excise Duty Return – Wine Licensee (revised)

*Excise Duty Forms*

E110 Description of Premises to Accompany Application for Licence  
E111 Description of Vessels and Utensils

*Excise Taxes and Special Levies Notices*

ET/SL61 Notice to all Tax Practitioners and Licensed Manufacturers, Wholesalers and Filers of End-user Refunds under the Excise Tax Act - Extension of the CRA Excise Tax End-User Refund Policy until June 30, 2007  
ET/SL62 Notice to all Excise Tax Licensees and Tax Professionals - Centralization of Excise Tax Licensing and Related Enquiries Workload

*Softwood Lumber Notices*

SWLN1 Softwood Lumber Products Export Charge Notice – Notice to Exporters on Transitional Rules – Transitional Rules for Option B regions for the months of October, November and December 2006  
SWLN2 Softwood Lumber Products Export Charge Notice – Notice to Recipients of Duty Deposit Refunds

*Softwood Lumber Forms*

RC45 Notice of Objection (Softwood Lumber Products Export Charge Act, 2006)  
B277 Charge on Refunds of Duty Deposits Return

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at: [www.cra-arc.gc.ca/tax/technical/menu-e.html](http://www.cra-arc.gc.ca/tax/technical/menu-e.html)

## Prescribed rates of interest

The prescribed annual rate of interest in effect from January 1, 2007 to March 31, 2007, with respect to the GST/HST and the air travellers' security charge (ATSC) is set at 3.6500% . Interest and penalty compound daily. To calculate interest, divide the annual rate by 365 (366 in a leap year) and apply it daily to the previous day's compound balance.

The prescribed annual rate of interest in effect from January 1 to March 31, 2007, with respect to amounts of income tax, excise tax and excise duty (except excise duty on beer) payable to the Minister (i.e., arrears and instalment payments) is established at 9%. The prescribed interest rate on amounts owed by the Minister (i.e., refunds) is established at 7%. These rates compound daily.

The prescribed annual rate of interest respecting excise duty on beer accounts is set at 7% for the period January 1, 2007 to March 31, 2007. Penalty compounds monthly and interest compounds daily.

In accordance with the measures for standardized accounting, the interest rate calculations for the GST/HST and ATSC will change April 1, 2007.

Period	GST/HST ATSC (per annum)		Income Tax, Excise Tax, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)	
	Interest	Penalty	Refund Interest	Arrears and Instalment Interest	Interest	Penalty
2007						
January 1 – March 31	3.6500 %	6.0 %	7.0 %	9.0 %	7.0 %	6.0 %

Prescribed interest rates are adjusted every calendar quarter.

Rates of interest for previous periods are available on the CRA Web site.

## GST/HST Enquiries

To make enquiries regarding your GST/HST account, call Business Enquiries at 1-800-959-5525

To make enquiries regarding the status of specific GST/HST domestic rebate claims, call  
1-800-565-9353

To make enquiries regarding the status of visitor rebate claims, call 1-800-668-4748

To obtain copies of forms and publications, call 1-800-959-2221

If your business is located in Quebec please call the following toll-free number:  
1-800-567-4692 (Revenu Québec)

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST) as well as excise taxes and duties. This publication is provided for information purposes only and does not replace the law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Canada Revenue Agency (CRA) tax services office or call Business Enquiries at 1-800-959-5525. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, Ontario K1A 0L5. ISSN 1183-689X





# Excise and GST/HST News

No. 64

Spring 2007

## Table of Contents

Budget 2007.....	1
Proposed GST/HST measures in Bill C-52.....	2
Elimination of GST/HST Visitor Rebate Program and introduction of new Foreign Convention and Tour Incentive Program .....	2
Exports of intangible personal property (IPP) .....	3
Other proposed GST/HST measures .....	4
Increasing GST/HST annual filing and remittance thresholds for business .....	4
Proposed excise tax measures in Bill C-52 .....	4
Excise tax on fuel-inefficient vehicles .....	4
Excise tax end user refunds .....	5
Other proposed excise tax measures .....	5
Elimination of excise tax exemption for renewable fuels.....	5
Bill C-28 .....	5
Financial services sector .....	6
Overnight recreational camps .....	7
Zero-rated medical or surgical prostheses.....	8
Subsection 167(1) election concerning the supply of a business or part of a business (Form GST44) .....	8
Rainy River First Nations Settlement Agreement Remission Order.....	9
Excise and GST/HST Rulings and Interpretations – third party authorization.....	10
My Business Account (MyBA) .....	11
Prescribed rates of interest .....	12
Commencing April 1, 2007.....	12
Up to and including March 31, 2007 .....	12
New remittance vouchers – cancellation of forms GST58 and GST426 .....	13
What's new in publications.....	13
GST/HST Enquiries .....	15

## Budget 2007

The Federal Budget tabled by the Minister of Finance on March 19, 2007 included several proposed measures relating to the goods and services tax and the harmonized sales tax (GST/HST), and excise tax. Following the Budget, Bill C-52, the *Budget Implementation Act, 2007* was introduced in the House of Commons and received second reading on May 15, 2007. Most of the proposed GST/HST and excise tax measures are contained in Bill C-52.

**More Ways to Serve You!**  
**Pour vous servir encore mieux !**



Canada Revenue  
Agency

Agence du revenu  
du Canada

La version française du présent bulletin est intitulée  
*Nouvelles sur l'accise et la TPS/TVH.*

**Canada**

The following is a brief synopsis of these proposed measures. For more detailed information please refer to the Department of Finance Web site dedicated to the federal budget at this address: [www.fin.gc.ca](http://www.fin.gc.ca)

### ***Proposed GST/HST measures in Bill C-52***

#### **Elimination of GST/HST Visitor Rebate Program and introduction of new Foreign Convention and Tour Incentive Program**

Budget 2007 includes measures previously announced that would eliminate the GST/HST Visitor Rebate Program effective April 1, 2007.

A proposed new Foreign Convention and Tour Incentive Program (FCTIP), effective April 1, 2007 was also announced in the budget. This new program will continue to provide relief to non-residents for GST (and the federal component of the HST) in respect of many of the property and services used in the course of conventions held in Canada. Subsequently, the GST/HST participating provinces of Nova Scotia, New Brunswick and Newfoundland and Labrador have each announced their intention to participate in the FCTIP. Accordingly, the Minister of Finance announced on May 16, 2007 that the Government will propose amendments to Bill C-52 to extend the application of the FCTIP to the 8% provincial component of the HST, effective April 1, 2007.

The proposed program continues to provide relief for:

- all of the GST/HST paid on accommodation sold to non-resident tour operators who are not registered for the GST/HST and who include the accommodation in eligible tour packages for non-residents, and
- generally 50% of the GST/HST paid on eligible tour packages that are sold to non-resident consumers and non-resident businesses who are not registered for the GST/HST, including tour operators.

As a result of the Minister of Finance's announcement about the HST, qualifying non-residents who have paid 14% HST on an eligible tour package will receive a rebate generally equal to 50% of the 14% HST paid on eligible tour packages even though they may have only applied for a rebate in respect of the 6% federal component of the HST.

Non-resident tour operators who are not registered for the GST/HST and who have paid 14% HST on accommodation that they included in eligible tour packages, will receive all of the 14% HST they paid on the accommodation even though they may have only applied for a rebate of the 6% federal component of the HST paid.

Non-resident tour operators who are not registered for the GST/HST, who have been charged 14% HST on an eligible tour package, and who have been credited with a percentage (generally 50%) of the 6% federal component of the HST at the point of sale, should ask their suppliers to adjust the amount of the rebate so that the amount credited accounts for the same percentage of the additional 8% provincial component of the HST to ensure that the total amount credited is based on the 14% HST.

The following GST/HST Info Sheets provide detailed information on the GST/HST Visitor Rebate Program and the proposed new Foreign Convention and Tour Incentive Program:

(These Info Sheets reflect the initial budget announcements but do not yet reflect the proposed extension of the FCTIP to the provincial component of the HST.)

#### ***Tourism***

GI-026

*Visitor Rebate Program - Accommodation Rebate for Non-Residents*



- GI-032 *Foreign Convention and Tour Incentive Program – Rebate for Non-Residents Purchasing Tour Packages*
- GI-033 *Foreign Convention and Tour Incentive Program – Rebate for Non-Registered Non-Resident Tour Operators Purchasing Accommodation*

### **Conventions**

- GI-027 *Foreign Convention and Tour Incentive Program — Admissions to Domestic Conventions Sold to Non-Residents*
- GI-028 *Foreign Convention and Tour Incentive Program – Rebate for Non-Resident and Non-Registered Exhibitors*
- GI-029 *Foreign Convention and Tour Incentive Program - Rebate for Sponsors of Foreign Conventions*
- GI-030 *Foreign Convention and Tour Incentive Program - Rebate for Non-Registered Organizers*
- GI-031 *Foreign Convention and Tour Incentive Program – Rebates Paid or Credited by Registrant Organizers of Foreign Conventions and Suppliers*

Please note that as announced on September 25, 2006, a rebate of the GST/HST will continue to be available for non-residents exporting goods in the course of their commercial activity.

### **Exports of intangible personal property (IPP)**

Supplies of IPP that may not be used in Canada are considered to be made outside Canada and are therefore not subject to GST/HST. Also, supplies of intellectual property (such as a patent or trademark) and rights to use such property are zero-rated (taxed at 0%) if they are made to non-registered non-residents. Budget 2007 proposes to extend the zero-rating to supplies of IPP, subject to certain exclusions.

### **Exclusions**

Under the proposed provision supplies of IPP made to non-residents who are not registered for GST/HST would be zero-rated with the following exclusions:

- a supply made to an individual unless the individual is outside Canada when the supply is made;
- a supply of IPP that relates to real property that is situated in Canada or to tangible personal property that is ordinarily situated in Canada;
- a supply of IPP that relates to a supply of a service that is made in Canada and is not zero-rated as an export, a transportation service or a financial service;
- a supply of IPP that may only be used in Canada; or
- a supply of making a telecommunications facility that is IPP available for use in providing a telecommunication service.

These proposed measures will apply to supplies made after March 19, 2007 and supplies made on or before March 19, 2007 if GST/HST was neither charged nor collected in respect of the supply.

If you are a registrant who has made eligible supplies on or before March 19, 2007, and the CRA has taken an amount into account in assessing your net tax for a reporting period as GST/HST that became collectible in respect of such supplies, you may obtain a refund of any resulting overpayment of net tax, penalty or interest by requesting that a reassessment be made to take into account that no tax was collectible by the registrant in respect of the supplies.

Please refer to GST/HST Info Sheet GI-034, *Exports of Intangible Personal Property* for more information.

#### **Other proposed GST/HST measures**

##### **Increasing GST/HST annual filing and remittance thresholds for business**

Budget 2007 proposes changes to the GST/HST annual filing threshold and the remittance threshold (instalment base) to further reduce paper burden of small and medium sized businesses.

The reporting period threshold amount for a fiscal year will be increased from \$500,000 to \$1,500,000. Registrants whose threshold for a fiscal year does not exceed \$1,500,000 will have a fiscal year reporting period unless they elect otherwise. Registrants who are quarterly filers and whose threshold amount does not exceed \$1,500,000 will continue as quarterly filers unless they elect otherwise.

In addition to the proposed change for annual reporting, the instalment base threshold will be increased from \$1,500 to \$3,000, which means that GST/HST annual filers whose net tax remittance for a fiscal year is less than \$3,000 need only make one remittance at the end of the fiscal year.

These changes will apply to fiscal years that begin after 2007.

#### **Proposed excise tax measures in Bill C-52**

##### **Excise tax on fuel-inefficient vehicles**

A new excise tax imposed on certain fuel-inefficient vehicles was announced in Budget 2007. This proposed tax replaces the existing heavy vehicles weight tax, which no longer applies after March 19, 2007. Following the budget, the Minister of Finance announced a few refinements to this new tax in a Notice of Ways and Means Motion on March 27, 2007, which subsequently received First Reading in Parliament on March 29, 2007 as Bill C-52.

The fuel-inefficient vehicle tax will apply to new automobiles designed primarily to carry passengers, including station wagons, vans, sport utility vehicles (but not pick-up trucks, vans equipped to accommodate 10 or more passengers, ambulances and hearses), in accordance with the automobile's fuel efficiency rating.

This rating is calculated on the basis of the weighted average fuel consumption, as determined by information published by Natural Resources Canada (EnerGuide label).

Automobiles that have a weighted average fuel consumption of 13 or more litres per 100 km will be subject to the tax at the following rates:

- At least 13, less than 14 litres per 100 km - \$1,000
- At least 14, less than 15 litres per 100 km - \$2,000
- At least 15, less than 16 litres per 100 km - \$3,000
- 16 or more litres per 100 km - \$4,000

The tax will be payable by the manufacturer or importer at the time the automobiles are delivered to a purchaser (usually a dealer) or imported. The tax will not apply to automobiles that are manufactured in Canada and exported for sale in other countries, or to automobiles that are imported and subsequently exported.

This measure applies to automobiles delivered by a manufacturer after March 19, 2007 and each automobile imported into Canada after that day unless the automobile had been put into service before March 20, 2007. However, this measure does not apply to an automobile for which an agreement in writing has been entered into before March 20, 2007 between a person in the business of selling vehicles and a final consumer and for which possession is taken by the final consumer before October 2007.

For more information, please refer to Excise Taxes and Special Levies Notice ETSL64, *Imposition of Excise Tax on Fuel-Inefficient Vehicles*. The HTML version of this notice includes hyperlinks to a list of vehicles and associated fuel-efficiency ratings as well as a list of 2007 model year vehicles, their weighted average fuel consumption ratings and associated fuel-inefficient vehicle tax rates.

#### **Excise tax end user refunds**

Currently, an excise tax is imposed on diesel fuel manufactured and sold in, or imported into Canada. The excise tax is imposed at a rate of \$.04 /litre and is generally payable by the manufacturer at the time of delivery to a purchaser and by the importer at the time of importation.

Since the excise tax is imposed and payable prior to the end use the CRA allows end-users to file refund claims in respect of diesel fuel that was purchased on an excise tax paid basis and subsequently used in exempt circumstances (i.e., for heating oil, the generation of electricity or for use as ships' stores).

Proposed amendments clarify the legislative authority that underlies the CRA's administrative practice of paying end-user refunds. The amendment will apply from the date on which the excise tax on diesel fuel was introduced, for end user refund claims filed after that date, in accordance with the terms and limitations set out in the *Excise Tax Act*.

For end user refund claims filed after March 19, 2007, the proposed amendments will also clarify that where diesel fuel has been sold on a tax paid basis for use as heating oil or to generate electricity, only the end user (or vendor of heating oil) will be entitled to claim a refund of excise tax.

For more information please refer to Excise Taxes and Special Levies Notice ETSL65, *Statutory End-User Refund Program and Elimination of Excise Tax Exemption for Renewable Fuels*.

#### **Other proposed excise tax measures**

##### **Elimination of excise tax exemption for renewable fuels**

Currently, renewable fuels are exempt from the federal excise taxes of \$0.10/litre on gas and \$0.04/litre on diesel fuel that would otherwise apply to their use as motive fuels.

Budget 2007 proposes that the excise tax exemptions for renewable fuels, including bio-diesel and alcohol-based fuels be repealed for fuel delivered on or after April 1, 2008.

For more information please refer to Excise Taxes and Special Levies Notice ETSL65, *Statutory End-User Refund Program and Elimination of Excise Tax Exemption for Renewable Fuels*.

#### **Bill C-28**

Bill C-28, *Budget Implementation Act, 2006, No. 2*, a second Act to implement certain provisions of the budget tabled in Parliament on May 2, 2006, received Royal Assent on February 21, 2007.



Bill C-28 amends the legislation relating to the excise duty volume thresholds for Canadian beer and wine as previously announced in the Department of Finance news release of June 30, 2006. These measures are now law.

For more information on these measures please see:

- Excise Duty Notice EDBN9, *Reduced Rates of Excise Duty on Beer Brewed in Canada*.
- Excise Duty Notice EDBN10, *Related or Associated Persons Rules for Brewers*
- Excise Duty Notice EDN15, *Additional Information Relating to the Excise Duty Exemption on 100% Canadian Wine*

### **Financial services sector**

On January 26, 2007, the Minister of Finance announced draft legislation for several proposed measures aimed at improving and streamlining the application of the GST/HST to the financial services sector. (This was further to a November 17, 2005 announcement which contained details related to some of the legislative proposals to amend GST/HST provisions relating to the financial services sector.) A few highlights follow.

#### **Imported supplies**

The January 26, 2007 draft legislation contains clarifying amendments relating to the rules that apply to taxable imports of services and intangibles between permanent establishments of a person. The amendments to section 220 will be effective December 17, 1990, the day that section 220 came into force.

The draft legislation also contains a new import rule relating to self-assessment for financial institutions that will apply to any taxation year that ends after November 16, 2005 (as the new rule was announced November 17, 2005).

More detailed information is available in GST/HST Technical Information Bulletin B-95, *Import Rules for Financial Institutions under Section 217.1 and Dealings Between Permanent Establishments under Section 220*.

#### **Input tax credit allocation methods of financial institutions**

Where an input is used to make both taxable and exempt supplies, a registrant must apply a method to allocate the use of that input between taxable and exempt supplies in order to determine the percentage of GST/HST paid on the input that can be recovered as an input tax credit (ITC).

Proposed new section 141.02 of the *Excise Tax Act* will provide greater clarity and direction to all financial institutions (FIs) respecting which ITC allocation methods they can use by providing more detailed ITC allocation rules. FIs will generally be required to use allocation methods that conform to criteria specified by the CRA. To this end, the CRA is currently reviewing existing policies and publications regarding allocation, and invites affected parties to make submissions regarding allocation methods they consider to be appropriate. Submissions may be sent to the Director, Financial Institutions and Real Property Division, Excise and GST/HST Rulings Directorate, Legislative Policy and Regulatory Affairs Branch, CRA, 14<sup>th</sup> Floor, 320 Queen Street, Ottawa, Ontario K1A 0L5.

In addition, proposed amendments particular to large banks, insurers and securities dealers will allow them to obtain pre-approval from the CRA to use their own ITC allocation methods. Where pre-approval is not obtained, those FIs are required to use, depending on the input type, either a prescribed percentage, exclusive allocation, or a specified method conforming to criteria set out by the CRA.

The proposed amendments will apply generally to fiscal years of an FI that begin after March 2007. The amendments requiring the large banks, insurers and securities dealers to obtain pre-approval for their own allocation methods will not apply until fiscal years of an FI that begin after March 2008. For the first year that begins after March 2007, the amendments will allow a special transitional election for these FIs to use an allocation method, related to certain types of inputs, that has been assessed by the CRA in respect of a prior fiscal year.

#### **A new GST/HST rebate for pension plan trusts**

The Department of Finance has proposed replacing the current ITC and rebate provisions for pension plan trusts with a single rebate similar to the current Multi-Employer Pension Plan (MEPP) Rebate. The new rebate would replace the MEPP rebate and would apply to all pension plan trusts. The Department of Finance is currently seeking input from industry stakeholders concerning the proposal. Draft legislation has not yet been released.

#### **A new GST/HST annual information schedule for financial institutions**

Generally, FIs are providers of tax-exempt supplies of financial services and cannot recover most of the GST/HST they pay on inputs. However, a significant number of FIs also engage in commercial activities both in Canada and internationally. As a result, FIs are subject to a range of unique rules and therefore, currently need to make a variety of calculations to compute the information summarized on the GST/HST return. An annual GST/HST information schedule is proposed for FIs to record the results of this analysis.

This new annual GST/HST information schedule would be filed once per fiscal year, within six months after the end of the fiscal year, by an FI (within the meaning in subsection 149(1) of the *Excise Tax Act*) that is a registrant and has total annual revenue (as stated in its financial statements, which are filed with its income tax returns) in excess of \$1 million.

The information schedule would be implemented for fiscal years of FIs commencing after 2006. This means that an FI with a calendar year as its fiscal year would be required to file its first annual information schedule (for 2007) by June 30, 2008.

#### **More information**

Please refer to the Department of Finance Web site at [www.fin.gc.ca](http://www.fin.gc.ca) for more detailed information regarding the January 26, 2007 news release, the related backgrounder, draft legislation and explanatory notes.

#### **Overnight recreational camps**

The recent Federal Court of Appeal decision in the *Camp Mini-Yo-We* case confirmed that the supply of overnight recreational camps by a public service body, other than day camps for children aged 14 and under and camps for underprivileged and disabled individuals, is subject to the GST/HST. The term public service body includes charities and non-profit organizations.

Further information on this topic can be found in the guides *GST/HST Information for Charities* (RC4082) and *GST/HST Information for Non-Profit Organizations* (RC4081). Should you have any question concerning your particular situation, please contact GST/HST Rulings at 1-800-959-8287.

**Zero-rated medical or surgical prostheses**

Part II of Schedule VI to the *Excise Tax Act* lists medical and assistive devices which are zero-rated (taxable at 0%) for GST/HST purposes. Specifically, section 25 states that a supply of a medical or surgical prosthesis that is designed to be worn by an individual is zero-rated.

The CRA considers a medical or surgical prosthesis to be an artificial device that replaces a missing part of the body, corrects a physical deformity or malfunction, or supports a weak or deformed part of the body. This artificial device could be an externally worn device or an implanted device that is worn internally.

For GST/HST purposes, supplies of the following items are considered to fall under this zero-rating provision of the Act:

- Cardiac pacemakers
- Cardioverter defibrillators
- Synthetic cardiac valves
- Stents (cardiovascular, esophageal, tracheobronchial, biliary, colonic, ureteral)
- Detachable coils
- Peripheral vascular grafts and abdominal/thoracic grafts (i.e., flexible tubes in the shape of a vein or artery used to replace a damaged vein, vessel, or artery).
- Fabrics and patches (i.e., ultra-thin knitted or woven cardiovascular patches for handling, healing and haemostasis, which are sewn into a vein to close a rupture)
- Spinal implants, disc replacements

Should you require clarification with respect to any of the above items please contact GST/HST Rulings at 1-800-959-8287 (*Français 1-800-959-8296*)

**Subsection 167(1) election concerning the supply of a business or part of a business (Form GST44)**

Subsections 167(1) and 167(1.1) of the *Excise Tax Act* permit a supplier to make a supply of a business or part of a business to a recipient with no GST/HST payable on the property or services supplied under the agreement (with some exceptions), if both parties to the transaction elect to do so. The election cannot be made, however, where the supplier is a registrant and the recipient is a non-registrant.

To be eligible to use this election certain conditions must be met, including:

- the supplier must supply a business or part of a business that was established or carried on by the supplier or that was established or carried on by another person and acquired by the supplier; and
- the recipient must be acquiring, under the agreement for the supply of the business, ownership, possession or use of all or substantially all (generally 90% or more) of the property that can reasonably be regarded as being necessary for the recipient to be capable of carrying on the business or part of a business.

To determine whether a supply meets the above-mentioned conditions for eligibility, the following guidelines should be applied to the facts of a particular situation.

*1. Is the supplier supplying, and is the recipient acquiring, a business or a part of a business?*



For GST/HST purposes, a business is an activity including a profession, calling, trade, manufacture, or undertaking of any kind, but does not include an office or employment. The assets of a business usually include: real property, equipment, inventory, and intangibles such as goodwill. Ordinarily, the supply of one or more individual assets will not be considered a supply of a business. The nature of a business (or part) will normally determine the package of assets that would be required to carry on the business (or part of a business). Generally, no one type of property, regardless of its value, determines whether there has been a supply of a business.

In general, a "part of a business" is an activity that may be a functionally and physically distinct operating unit, or it may be an activity which supports or is related to the broader business but is organized as a separate activity which is capable of operating on its own.

*2. Is the recipient acquiring ownership, possession or use of all or substantially all of the property?*

To meet the "all or substantially all" condition, any property not acquired under the agreement for the supply of the business (e.g., acquired from other sources or already in the possession of the recipient), but required by the recipient to carry on the business, must fall within the remaining general margin of 10% of the fair market value of all the property required to carry on the business.

In addition, the recipient must be capable of carrying on the same kind of business that was established or carried on by the supplier with the property that the recipient has acquired under the agreement.

Form GST44, *Election Concerning the Acquisition of a Business or Part of a Business* is available on the CRA Web site. For further information please see Policy Statement P-188, *Supply Of A Business Or Part Of A Business For The Purpose Of The Election Under Subsection 167(1)*.

### **Rainy River First Nations Settlement Agreement Remission Order**

On the recommendation of the Minister of Finance, the Governor General in Council has approved the *Rainy River First Nations Settlement Agreement Remission Order*, P.C. 2007-208. The effective date of the Order is February 22, 2007 and it is available on the Canada Gazette website at [canadagazette.gc.ca](http://canadagazette.gc.ca) under registration number SI/2007-31.

This remission order provides for the remission of the GST to the Rainy River First Nations ("Rainy River") under the conditions described in the remission order.

The remission of tax applies to the GST paid or payable on:

- the supply of additional land to Rainy River, or its agent;
- the supply to Rainy River, or its agent, of a "third party interest" in additional land;
- the cancellation in favour of Rainy River, or its agent, of a "third party interest" in additional land;
- the supply by way of sale to Rainy River, or its agent, of tangible personal property that is collateral to a supply of additional land at the time that Rainy River, or its agent, acquires an interest in that land;
- costs incurred by Rainy River, or its agent, in the context of the above-noted transactions; and
- the supply of replacement land and any related supply to Rainy river, or its agent.

In addition, remission is granted in respect of any interest and penalties paid or payable by Rainy river or its agent under the GST portion of the *Excise Tax Act* in respect of any transaction

Remission under this order is granted on condition that:

- the tax, interest or penalties have not otherwise been rebated, credited, refunded or remitted to any person under the *Excise Tax Act* or the *Financial Administration Act*; and
- the Department of Indian Affairs and Northern Development (INAC) confirms in writing that the claim for remission is being made with respect to a quantity of additional land or of replacement land, and if the claim is in respect of replacement land, the legal description of the additional land that is being replaced.

Note: The terms “additional land”, “replacement land” and “related supply” are defined in the remission order.

If a supply made to Rainy River, or its agent, meets the conditions specified in the remission order, the supplier is not required to collect the GST. However, if Rainy River, or its agent, has paid GST, interest and penalties under conditions that would qualify for remission as set out in the remission order, Rainy River may apply for remission of those amounts.

Applications for remission of GST, interest and penalties should be filed with the CRA using Form GST189, *General Application for Rebate of GST/HST*. Applicants should check the box for “Remission Order” (part B – Reason for Rebate Request) and note (part G – Details of Rebate application) that the claim is being submitted under the authority of the Rainy River First Nations Settlement Agreement Remission Order, quoting P.C. 2007-208. The form should then be submitted to the Summerside Tax Centre, along with the confirmation letter from INAC and supporting documentation, such as the Statement of Adjustments, to verify that the amounts claimed are pursuant to the remission order.

If the GST, interest and penalties have been paid prior to the effective date of the remission order, Rainy River must apply for a remission of those amounts within two years after the effective date of the remission order. If the GST, interest and penalties are paid on or after the effective date of the remission order, Rainy River must apply for a remission of those amounts within two years after the day that the GST, interest and penalties are paid.

### **Excise and GST/HST Rulings and Interpretations – third party authorization**

Sometimes a third party representative (i.e., a tax professional, an accountant, a bookkeeper, or a lawyer) will request a ruling or interpretation on behalf of a client. In such cases, where the third party representative is acting on behalf of the person for whom the ruling will be made, the CRA requires a written third party authorization letter certifying that the representative is authorized to act on behalf of the client. The letter should include an outline of the purpose, scope, and period of the authorization. This is also a requirement for persons requesting an interpretation where the interpretation applies to a particular named client

A letter notifying the CRA of third party authorization should resemble the following:

[Date]

Dear Sir/Madam:

For purposes of my request for a ruling or interpretation, I hereby authorize officials of the Canada Revenue Agency to provide the following person with confidential information about my operations:

Name of third party, including trading name if applicable  
Address of third party and telephone number

This authorization applies to operations relating to my [type of] account and applies from [specify date including year] to [specify date including year].

[Signature of requestor]

[Full name of requestor  
Address of requestor  
Business Number]

A complete discussion of the documentary requirements for third party authorization may be found in GST/HST Memorandum 1.4, *Excise and GST/HST Rulings and Interpretations Service*.

### **My Business Account (MyBA)**

Launched September 25, 2006, MyBA provides business owners, including directors and officers of corporations, the convenience of using a single user ID and password to access personalized business information and services online.

As of April 10, 2007, business owners can do the following for their GST/HST accounts:

- make online requests
- view business addresses
- view correspondence

and can do the following for their excise duty and excise tax accounts:

- make online requests
- register a formal dispute (Notice of objection)
- view business addresses
- view correspondence
- view account balance
- view transaction details
- view endorsements

In the fall of 2007, business owners will be able to authorize their employees and other representatives to access their business information online. They will also be able to view update, or cancel the representatives we have on file for their business through MyBA.

In addition to representatives having access to business information online, the “view account balance” and “transactions” will be available for the GST/HST account and the “view account transactions” will be added for the Excise accounts.

For more information about this new electronic service, go to [www.cra-arc.gc.ca/mybusinessaccount](http://www.cra-arc.gc.ca/mybusinessaccount).



### Prescribed rates of interest

Effective April 1, 2007, in accordance with the recent legislative changes relating to standardized accounting, the interest rate calculations for GST/HST and the air travellers security charge will change to harmonize with the interest rate calculations used for income tax, excise tax, excise duty (except excise duty on beer) and the softwood lumber export charge. As of this date, amounts outstanding are subject to a new prescribed rate of interest equal to the "basic rate" plus 4%.

#### Commencing April 1, 2007

The prescribed annual rate of interest in effect from April 1, 2007, to June 30, 2007, on overdue amounts payable to the Minister is 9%. The prescribed annual rate of interest on amounts owed by the Minister (refunds) is 7%. These rates are applicable to income tax, excise tax, softwood lumber products export charge, goods and services tax, harmonized sales tax and air travellers security charge. These rates are also applicable to excise duty (except excise duty on beer) amounts payable after June 30, 2003.

The prescribed annual rate of interest respecting excise duty on beer, on amounts payable for the indicated period, is set at 7%. This rate is also applicable to excise duty (except excise duty on beer) amounts payable prior to July 1, 2003.

Period	Income Tax, Excise Tax, Softwood Lumber Export Charge, GST/HST and ATSC Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)
	Refund Interest	Arrears and Instalment Interest	Arrears Interest
<b>2007</b>			
April 1 – June 30	7.0 %	9.0 %	7.0 %

### Penalties

The standardized accounting amendments eliminate the 6% penalty on overdue amounts of GST/HST. A new failure to file penalty will be charged on a return that is filed late with an unremitted or unpaid amount. This new penalty is equal to: (a) 1% of the amount overdue on the return, plus (b) one quarter of the amount calculated in (a), times the number of complete months the return was overdue, to a maximum of 12 months.

For a more information on the new interest rates and penalties please refer to GST/HST Info sheet GI-024, Harmonizing the Administrative Provisions Respecting Standardized Accounting.

#### Up to and including March 31, 2007

The prescribed annual rate of interest in effect from January 1, 2007 to March 31, 2007, with respect to the GST/HST and the air travellers security charge (ATSC) is set at 3.6500%. Interest and penalty compound daily. To calculate interest, divide the annual rate by 365 (366 in a leap year) and apply it daily to the previous day's compound balance.

The prescribed annual rate of interest in effect from January 1 to March 31, 2007, with respect to amounts of income tax, excise tax, excise duty (except excise duty on beer) and the softwood lumber export charge payable to the Minister (i.e., arrears and instalment payments) is established at 9%. The prescribed

interest rate on amounts owed by the Minister (i.e., refunds) is established at 7%. These rates compound daily.

The prescribed annual rate of interest respecting excise duty on beer amounts is set at 7% for the period January 1, 2007 to March 31, 2007. Penalty compounds monthly and interest compounds daily.

Period	GST/HST ATSC (per annum)		Income Tax, Excise Tax, Softwood Lumber Export Charge Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)	
	Interest	Penalty	Refund Interest	Arrears and Instalment Interest	Interest	Penalty
2007						
January 1 – March 31	3.6500 %	6.0 %	7.0 %	9.0 %	7.0 %	6.0 %

Rates of interest for previous periods are available on the CRA Web site.

### New remittance vouchers – cancellation of forms GST58 and GST426

Form GST58, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Remittance (personalized)* and Form GST426 *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Remittance (non-personalized)* will be cancelled as of April 30, 2007.

These remittance forms are replaced by the following four new remittance vouchers:

- **RC158**, *GST/HST Netfile/Telefile Remittance Voucher* - Beginning in October 2007, this form should be used to remit a GST/HST amount owed on a return that is filed using GST/HST NETFILE or GST/HST TELEFILE.
- **RC159**, *GST/HST Amount Owing Remittance Voucher* - This form should be used to remit a GST/HST amount owed after an assessment or a reassessment.
- **RC160**, *GST/HST Interim Payments Remittance Voucher* - This form should be used by annual filers to make a GST/HST instalment payment.
- **RC177**, *GST/HST Balance Due Remittance Voucher* - This form should be used to remit a GST/HST amount owed by April 30 of each year by an individual who has business income for income tax purposes and the business has a December 31 fiscal year-end. (In this case, the payment is due by April 30 but the return is due by June 15.)

There are three ways for a person to order these new remittance vouchers.

- Online at [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount) (with a Government of Canada epass.)
- Online at [www.cra.gc.ca/requests-business](http://www.cra.gc.ca/requests-business) (no Government of Canada epass required)
- by calling the Business Enquiries line at 1-800-959-5525.

Please note that the CRA guide RC4022, *General Information for GST/HST Registrants* (2007) has been updated to provide further information on these new remittance vouchers. Information related to the new remittance vouchers is on pages 2, 24, and 29 of this guide.

### What's new in publications

The following is a list of new or revised excise and GST/HST forms and publications.

***GST/HST Info Sheets***

- GI-025      *The GST/HST and the Purchase, Use and Sale of Vacation Properties by Individuals*  
GI-026      *Visitor Rebate Program - Accommodation Rebate for Non-Residents*  
GI-027      *Foreign Convention and Tour Incentive Program -- Admissions to Domestic Conventions Sold to Non-Residents*  
GI-028      *Foreign Convention and Tour Incentive Program - Rebate for Non-Resident and Non-Registered Exhibitors*  
GI-029      *Foreign Convention and Tour Incentive Program - Rebate for Sponsors of Foreign Conventions*  
GI-030      *Foreign Convention and Tour Incentive Program - Rebate for Non-Registered Organizers*  
GI-031      *Foreign Convention and Tour Incentive Program - Rebates Paid or Credited by Registrant Organizers of Foreign Conventions and Suppliers*  
GI-032      *Foreign Convention and Tour Incentive Program - Rebate for Non-Residents Purchasing Tour Packages*  
GI-033      *Foreign Convention and Tour Incentive Program - Rebate for Non-Registered Non-Resident Tour Operators Purchasing Accommodation*  
GI-034      *Exports of Intangible Personal Property*

***Technical Information Bulletins***

- B-095      *Import Rules for Financial Institutions Under Section 217.1 and Dealings Between Permanent Establishments Under Section 220*

***GST/HST Guides***

- RC4022      *General Information for GST/HST Registrants (revised)*  
RC4028      *GST/HST New Housing Rebate (revised)*  
RC4034      *GST/HST Public Service Bodies Rebate*  
RC4405      *GST/HST Rulings - Experts in GST/HST Legislation*  
RC4420      *Information on CRA - Service Complaints, Includes Form RC193 Service Related Complaints Form*

***GST/HST Notices***

- Notice217      *Rainy River First Nations Settlement Agreement Remission Order*  
Notice218      *Policy Statement P-212 is Obsolete*  
Notice219      *Notice of Change - GST/HST Memoranda Series 4.3, Basic Groceries*

***GST/HST Forms***

- GST66      *Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund*  
GST190      *New Housing Rebate Application for Houses Purchased from a Builder (revised)*  
GST191      *New Housing Rebate Application for Owner-Built Houses (revised)*  
GST531      *Return of self-assessment of the First Nations Goods and Services Tax (FNGST)*

***Excise Duty Forms***

- E146      *Amended Plans and Specifications*  
Y15A(07)      *Request to Laboratory and Scientific Services Directorate - Alcohol and Tobacco Section*



B270 *Excise Duty Return – Non-Licensee*

***Excise Taxes and Special Levies Notices***

ETSL63 *For Discussion Purposes Only - Draft form E638A, Statement of Availability or Declination from Authorized Insurers - 10% Tax on Insurance Premiums (Part 1 of the Excise Tax Act)*

ETSL64 *Imposition of Excise Tax on Fuel-Inefficient Vehicles*

ETSL65 *Notice to all Tax Practitioners, Licensed Manufacturers and Wholesalers, Fuel Distributors and Filers of End-User Refunds under the Excise Tax Act – Statutory End-User Refund Program and Elimination of Excise Tax Exemption for Renewable Fuels*

***Softwood Lumber Products Export Charge Notices***

SWLN3 *Notice to Exporters - Calculation of Export Price*

***Softwood Lumber Products Export Charge Forms***

B275 *Softwood Lumber Products Export Charge Return*

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at: [www.cra-arc.gc.ca/tax/technical/menu-e.html](http://www.cra-arc.gc.ca/tax/technical/menu-e.html)

**GST/HST Enquiries**

To make enquiries regarding your GST/HST account, call Business Enquiries at 1-800-959-5525

To make enquiries regarding the status of specific GST/HST domestic rebate claims, call  
1-800-565-9353

To make enquiries regarding the status of visitor rebate claims, call 1-800-668-4748

To obtain copies of forms and publications, call 1-800-959-2221

If your business is located in Quebec please call the following toll-free number:  
1-800-567-4692 (Revenu Québec)

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST) as well as excise taxes and duties. This publication is provided for information purposes only and does not replace the law, either enacted or proposed. Please note that any commentary in this newsletter regarding proposed measures should not be taken as a statement by the CRA that such measures will in fact be enacted into the law in their current form. For further information on any of the articles contained in this newsletter, contact your nearest Canada Revenue Agency (CRA) tax services office or call Business Enquiries at 1-800-959-5525. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, Ontario K1A 0L5. ISSN 1183-689X



# Excise and GST/HST News

Government  
Publications

No. 65

Summer 2007

## Table of Contents

Bills C-40 and C-52 receive Royal Assent .....	1
New GST/HST annual information schedule for financial institutions .....	1
Selling a medical or dental practice.....	2
Additional rents .....	2
Associated persons and the small supplier threshold .....	3
Prescribed rates of interest.....	5
Reminder — New remittance vouchers.....	6
Friendly URLs for technical publications .....	7
What's new in publications .....	7
GST/HST Enquiries.....	8

### Bills C-40 and C-52 receive Royal Assent

Bill C-40, *An Act to amend the Excise Tax Act, the Excise Act, 2001 and the Air Travellers Security Charge Act and to make related amendments to other Acts*, and Bill C-52, *An Act to implement certain provisions of the budget tabled in Parliament on March 19, 2007* both received Royal Assent on June 22, 2007. Bill C-40 is now referred to as Statutes of Canada, 2007, c. 18 and Bill C-52 is referred to as Statutes of Canada, 2007, c. 29.

Highlights of Bill C-40 were published in the Winter 2007 edition (no. 63) of the *Excise and GST/HST News* while highlights of Bill C-52 are in the Spring 2007 edition (no. 64) of the *News*.

### New GST/HST annual information schedule for financial institutions

On January 26, 2007, the Minister of Finance announced a new requirement for financial institutions to file a new GST/HST annual information schedule.

Financial institutions are subject to a range of unique rules and as a result need to make a variety of calculations to compute the information summarized on their GST/HST return. The new GST/HST annual information schedule for financial institutions is intended to record the results of this analysis.

A new GST/HST Info Sheet, GI-035, *Annual Information Schedule for Financial Institutions*, explains the filing requirements for the new GST/HST annual information schedule for financial institutions. A link to GST111, *Schedule 1 - Financial Institution GST/HST Annual Information Schedule* is included in this info sheet. As well, guide RC4419, *GST/HST Annual Information Schedule for*

**More Ways to Serve You!**  
**Pour vous servir encore mieux !**



Canada Revenue  
Agency

Agence du revenu  
du Canada

La version française du présent bulletin est intitulée  
*Nouvelles sur l'accise et la TPS/TVH.*

Canada



*Financial Institutions*, will be published shortly and will include more information on how to complete form GST111.

### **Selling a medical or dental practice**

This article discusses the use of the election under subsection 167(1) of the *Excise Tax Act* (the Act) in the case of a sale of a medical or dental practice between two non-registrants.

Where a person intends to sell a business, the vendor and the purchaser may qualify to file a joint election under subsection 167(1) of the Act to have no tax payable (with some exceptions) on the supply. However, the use of the above election may not be necessary notwithstanding that the conditions in subsection 167(1) are met where both the vendor and the purchaser are non-registrants engaged exclusively in non-commercial activities. This may be the case with a medical or dental practice.

The sale of a medical or dental practice which constitutes a business generally involves the transfer of assets, as described in the following paragraphs.

### **Medical and dental supplies and equipment/furniture**

In general, sales of medical and dental supplies are either taxable or zero-rated. Sales of equipment and furniture are generally subject to GST/HST. However, if a person sells personal property that was acquired for use exclusively (generally, 90% or more for non-financial institutions) in the course of activities of the person that are not commercial activities and was not consumed or used by the person in the course of commercial activities of the person, the sale of that personal property shall be deemed to be made otherwise than in the course of commercial activities. Under those conditions, the sale of that personal property will not be subject to GST/HST.

### **Goodwill**

Section 167.1 of the Act would generally apply to supply of a medical or dental practice where, under the agreement, the purchaser acquires all or substantially all (generally, 90% or more) of the property required to carry on the business. Where the supply of a medical or dental practice satisfies the conditions for an election under section 167(1), whether the vendor and purchaser make the election or not, section 167.1 provides that the part of the consideration for the supply that is reasonably attributable to goodwill will not be subject to GST/HST.

### **Leasehold improvements**

Where a non-registered vendor, such as a dentist or doctor engaged exclusively in exempt activities, makes a taxable supply of real property/leasehold improvements to a non-registered recipient, such as another dentist or doctor, the vendor must collect and remit GST/HST on that particular supply. This would also be the case if a subsection 167(1) election was filed. However, the vendor may be eligible for a rebate for the GST/HST paid on the vendor's acquisition of, and improvements to the real property.

More information on the sale of a medical or dental practice is available in GST/HST Policy Statement P-166, *Sale of a Medical or Dental Practice Between Two Non-registrants* and more information on the subsection 167(1) election is available in GST/HST Policy Statement P-188, *Supply of a Business or Part of a Business for the Purpose of the Election under Subsection 167(1)*.

### **Additional rents**

Who pays the GST/HST on "additional rent" under commercial real property lease agreements?

Many commercial lease agreements for real property take the form of "net" leases. Under these leases,

the lessee (tenant) is required to pay a fixed base rent, as well as additional amounts on account of common area expenses, insurance premiums, municipal property taxes and water charges, or business taxes. These extra amounts are typically described as "additional rent" in the lease agreement. Where the payment for a taxable supply of real property under a lease agreement includes amounts as "additional rent", the tenant must pay the GST/HST calculated on the total amount of the consideration payable for the lease of the property, including the additional rent, even if the additional amounts are itemized separately.

Generally, property and business taxes paid to a municipality by a property owner (landlord) are not subject to the GST/HST. If a landlord requires a tenant to pay an amount on account of the property and business taxes payable by the landlord, that amount is additional rent, even in cases where the tenant pays the amount directly to a third party (e.g., a municipality). The tenant must pay GST/HST to the landlord calculated on the amount that is additional rent as the amount is additional consideration for the taxable supply of the real property made by the landlord to the tenant. Only if the tenant is directly liable to the municipality for the payment of the amount will the GST/HST not be payable to the landlord. For example, if a tenant is required to pay to a taxing authority a business tax that is imposed on the tenant under legislation, the amount of the business tax payable by the tenant would not be consideration payable to the landlord for the taxable supply of real property made under the lease even if the lease agreement included a requirement that the tenant meet its obligation to pay the business tax to the taxing authority. In this case, the business tax that the tenant is directly liable to pay to the taxing authority is not additional rent.

Generally, a tenant who is a GST/HST registrant may be eligible to recover all or a portion of the tax paid or payable on the "additional rent" as an input tax credit.

The subject of additional rent is discussed further in GST/HST Memorandum 19.4.1, *Commercial Real Property — Sales and Rentals*.

### **Associated persons and the small supplier threshold**

A small supplier is not required to register for the GST/HST and is generally not required to collect the GST/HST. However, in some cases a non-registered small supplier is required to collect the GST/HST on its supplies, such as on the sale of real property. For an example, refer to the information under the heading "Selling a medical or dental practice – Leasehold improvements" in this newsletter.

A person is generally a small supplier during any particular calendar quarter and the following month if the total value of the consideration for world-wide taxable supplies, including zero-rated supplies, made by the person (or an associate of the person at the beginning of the particular calendar quarter) that became due, or was paid without becoming due, in the previous four calendar quarters does not exceed \$30,000 or, where the person is a public service body, \$50,000. The calculation excludes consideration attributable to the sale of goodwill of a business, supplies of financial services, and supplies by way of sale of capital property.

For GST/HST purposes, an "associate" of a person at any time means another person who is associated at that time with the particular person. Therefore, to determine whether you qualify as a small supplier, you must include in your calculation the revenue from persons with whom you are associated.

### **Associated persons**

The concept of associated persons deals with control between persons. For example, an individual and a corporation are associated with each other for GST/HST purposes if the corporation is controlled by the individual. Also, a person and a partnership are associated with each other if the total of the shares of the



profits of the partnership to which the person and all other persons who are associated with the person are entitled is more than half of the total profits of the partnership, or would be more than half of the total profits of the partnership if it had profits. Corporations are associated with each other for GST/HST purposes if they meet the conditions for association set out under the *Income Tax Act*. Moreover, persons are associated with each other if each of them is associated with the same third person. The provisions for determining if persons are associated for GST/HST purposes are set out in section 127 of the *Excise Tax Act*. Associated persons must combine their total taxable supplies to determine whether they are small suppliers and how often they must file GST/HST returns.

If associated persons go beyond the \$30,000 or \$50,000 small supplier's threshold during four consecutive calendar quarters, then each would remain a small supplier for one month after the end of the particular calendar quarter in which their collective total sales surpassed the threshold. Neither person would be required to collect GST/HST on their supplies during that month. However, at the beginning of the following month, each person would have to charge and collect GST/HST and become a GST/HST registrant within 30 days of making their first taxable supply in Canada.

Also, if during any one fiscal quarter, the total taxable supplies of associated persons exceeds the small supplier's threshold, the persons would immediately cease to be a small suppliers. Including the sale which put them over the threshold, an associated person must immediately begin collecting GST/HST on all of their taxable supplies made in Canada. Each person must also become a GST/HST registrant within 30 days after making the first taxable sale.

More information about small suppliers is published in GST/HST Memoranda Series 2.2, *Small Suppliers*.

#### **Filing frequencies of associated persons**

Persons who register for GST/HST are assigned reporting periods for filing their GST/HST returns. The filing frequency of associated persons is determined by the "threshold amount" of their combined total taxable supplies of goods and services made in Canada during the previous or current fiscal year. The "threshold amount" does not include supplies made outside Canada, zero-rated exports of goods and services, zero-rated financial services, taxable sales of capital real property or goodwill.

- If the total threshold amount of taxable supplies of the associated group is more than \$6 million, each member must file GST/HST returns monthly.
- If the total threshold amount of taxable supplies of the associated group is \$6 million or less but more than \$500,000 (or more than \$1,500,000, as announced in the 2007 Federal Budget, for those with a fiscal years that begin after 2007), each member will file GST/HST returns quarterly or elect to file monthly.
- If the total threshold amount of taxable supplies of the associated group is \$500,000 or less (or, as announced in the 2007 Federal Budget, \$1,500,000 or less for those with a fiscal year reporting period that begins after 2007), each member will file GST/HST returns annually. They may elect to file quarterly or monthly.

GST/HST registered charities and listed financial institutions automatically have an annual reporting period, regardless of their revenues, unless they elect to file quarterly or monthly. The one exception to this is where a person is a listed financial institution as a result of making an election for exempt supplies of financial services under section 150. In this situation, the person's filing frequency will be based on the criteria discussed above.



The election to file annually must be made at the time of registration or at the beginning of a registrant's fiscal year. If an annual filer has a net tax remittance for a fiscal year of \$1,500 or more, quarterly instalment payments are required throughout the following fiscal year. The 2007 Federal Budget announced that, for fiscal year reporting periods beginning after 2007, no quarterly instalments are required if the net tax remittance for the fiscal year is less than \$3,000.

Registrants may elect to file monthly or quarterly at the time of registration or at the start of a new fiscal year. Registrants may also elect to file monthly on the first day of the quarter in which they cease to be an annual filer.

If you have questions about your filing frequency as a result of your association with other persons, please contact GST/HST Rulings at 1-800-959-8287.

### Prescribed rates of interest

In accordance with the recent legislative changes relating to standardized accounting, it is proposed that the interest rate calculations for GST/HST and the air travellers security charge be changed, effective April 1, 2007, to harmonize with the interest rate calculations used for income tax, excise tax, excise duty (except excise duty on beer) and the softwood lumber export charge. As of this date, amounts outstanding will be subject to a proposed new prescribed rate of interest equal to the "basic rate" plus 4%.

The prescribed annual rate of interest in effect from July 1, 2007, to September 30, 2007, on overdue amounts payable to the Minister is 9%. The prescribed annual rate of interest on amounts owed by the Minister (refunds) is 7%. These rates are applicable to income tax, excise tax, softwood lumber products export charge, goods and services tax, harmonized sales tax and air travellers security charge. These rates are also applicable to excise duty (except excise duty on beer) amounts payable after June 30, 2003.

The prescribed annual rate of interest respecting excise duty on beer, on amounts payable for the indicated period, is set at 7%. This rate is also applicable to excise duty (except excise duty on beer) amounts payable prior to July 1, 2003.

Period	Income Tax, Excise Tax, Softwood Lumber Export Charge, GST/HST and ATSC, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)
	Refund Interest	Arrears and Instalment Interest	Arrears Interest
<b>2007</b>			
July 1 – September 30	7%	9%	7%
April 1 – June 30	7%	9%	7%

### Penalties

Effective April 1, 2007, the 6% penalty is eliminated on overdue amounts of GST/HST and the air travellers security charge. A new failure to file penalty is charged on a return that is filed late with an unremitted or unpaid amount for the *Excise Tax Act*, the *Excise Act, 2001* and the *Air Travellers Security Charge Act*. This new penalty is equal to: (a) 1% of the amount overdue on the return, plus (b) one quarter of the amount calculated in (a), times the number of complete months the return was overdue, starting April 1, 2007, to a maximum of 12 months.

For more information on the new interest rates and penalties please refer to GST/HST Info sheet GI-024, *Harmonizing the Administrative Provisions Respecting Standardized Accounting*.

**Up to and including March 31, 2007**

The 6% penalty applies on overdue amounts of GST/HST and the air travellers security charge (ATSC) up to and including March 31, 2007.

The prescribed annual rate of interest in effect from January 1, 2007 to March 31, 2007, with respect to the GST/HST and ATSC is set at 3.65%. Interest and the 6% penalty compound daily. To calculate interest, divide the annual rate by 365 (366 in a leap year) and apply it daily to the previous day's compound balance.

The prescribed annual rate of interest in effect from January 1 to March 31, 2007, with respect to amounts of income tax, excise tax, excise duty (except excise duty on beer) and the softwood lumber export charge payable to the Minister (i.e., arrears and instalment payments) is established at 9%. The prescribed interest rate on amounts owed by the Minister (i.e., refunds) is established at 7%. These rates compound daily.

The prescribed annual rate of interest respecting excise duty on beer amounts is set at 7% for the period January 1, 2007 to March 31, 2007. Penalty compounds monthly and interest compounds daily.

Period	GST/HST, ATSC (per annum)		Income Tax, Excise Tax, Softwood Lumber Export Charge Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)	
	Interest	Penalty	Refund Interest	Arrears and Instalment Interest	Interest	Penalty
<b>2007</b>						
January 1 – March 31	3.65%	6%	7%	9%	7%	6%

Rates of interest for previous periods are available on the CRA Web site.

**Reminder — New remittance vouchers**

Form GST58, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Remittance (personalized)* and Form GST426 *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Remittance (non-personalized)* have been cancelled as of April 30, 2007.

These remittance forms are replaced by the following four new remittance vouchers:

- **RC158**, *GST/HST Netfile/Telefile Remittance Voucher* – Beginning in October 2007, this form should be used to remit a GST/HST amount owed on a return that is filed using GST/HST NETFILE or GST/HST TELEFILE.
- **RC159**, *GST/HST Amount Owing Remittance Voucher* – This form should be used to remit a GST/HST amount owed after an assessment or a reassessment.
- **RC160**, *GST/HST Interim Payments Remittance Voucher* – This form should be used by annual filers to make a GST/HST instalment payment.
- **RC177**, *GST/HST Balance Due Remittance Voucher* – This form should be used to remit a GST/HST amount owed by April 30 of each year by an individual who has business income for income tax purposes and the business has a December 31 fiscal year-end. (In this case, the payment is due by April 30 but the return is due by June 15.)

There are three ways for a person to order these new remittance vouchers.

- Online at [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount) (with a Government of Canada epass.)
- Online at [www.cra.gc.ca/requests-business](http://www.cra.gc.ca/requests-business) (no Government of Canada epass required)

- by calling the Business Enquiries line at 1-800-959-5525.

Please note that the CRA guide RC4022, *General Information for GST/HST Registrants* has been updated to provide further information on these new remittance vouchers. Information related to the new remittance vouchers is on pages 2, 24, and 29 of this guide.

### **Friendly URLs for technical publications**

A friendly URL is an Internet address that has been shortened to make it easier to remember and to use. For example, the URL [www.cra-arc.gc.ca/tax/business/topics/gst/soleprop/rulings/menu-e.html](http://www.cra-arc.gc.ca/tax/business/topics/gst/soleprop/rulings/menu-e.html) used to see GST/HST Rulings has been shortened to a "friendly" version [www.cra.gc.ca/gsthstrulings](http://www.cra.gc.ca/gsthstrulings).

To help you get to the information you need on the CRA Web site, you can now use these "friendly URLs" instead of following a set of menus or typing a long Internet address.

- GST/HST Technical Information: [www.cra.gc.ca/gsthsttech](http://www.cra.gc.ca/gsthsttech)
- GST/HST Rulings and Interpretations: [www.cra.gc.ca/gsthstrulings](http://www.cra.gc.ca/gsthstrulings)
- Excise Tax and Special Levies: [www.cra.gc.ca/etsl](http://www.cra.gc.ca/etsl)
- Excise Duty: [www.cra.gc.ca/exciseduty](http://www.cra.gc.ca/exciseduty)
- Softwood Lumber Registration: [www.cra.gc.ca/softwood](http://www.cra.gc.ca/softwood)
- Small businesses: [www.cra.gc.ca/smallbusiness](http://www.cra.gc.ca/smallbusiness)
- Prescribed interest rates: [www.cra.gc.ca/interestrates](http://www.cra.gc.ca/interestrates)
- My Business Account: [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount)
- Visitors to Canada: [www.cra.gc.ca/visitors](http://www.cra.gc.ca/visitors)
- Voluntary Disclosures Program: [www.cra.gc.ca/voluntarydisclosures](http://www.cra.gc.ca/voluntarydisclosures)

### **What's new in publications**

The following is a list of new or revised excise and GST/HST forms and publications.

#### ***GST/HST Info Sheets***

- |        |   |
|--------|---|
| GI-015 | <i>GST/HST Rate Reduction and Purchasers of New Housing – July 2007 (revised)</i> |
| GI-035 | <i>Annual Information Schedule for Financial Institutions</i>                     |
| GI-036 | <i>Beverages</i>  |
| GI-037 | <i>Children's Camps Operated by Public Sector Bodies</i>                          |

#### ***GST/HST Memorandum***

- |     |  |
|-----|--|
| 4-4 | <i>Agriculture and Fishing (revised)</i> |
|-----|--|

#### ***GST/HST Guides***

- |        |  |
|--------|--|
| RC4160 | <i>Rebate for Tour Packages, Foreign Conventions, and Non-Resident Exhibitor Purchases (revised)</i> |
|--------|--|

#### ***GST/HST Technical Information Bulletin (TIB)***

- |       |   |
|-------|---|
| B-096 | <i>GST/HST Rate Reduction and Real Property</i> |
|-------|---|



***GST/HST Policy Statements***

- P-196R *Whether Administrative Overhead Costs Fall under Subsection 186(1) of the Excise Tax Act* (revised)
- P-218R *Tax Status of Damage Payments, Whether or not Within Section 182 of the Excise Tax Act* (revised)

***GST/HST Notices***

- NOTICE221 *Questions and Answers on the Cancellation of the Visitor Rebate Program and the New Foreign Convention and Tour Incentive Program* (revised)

***GST/HST Forms***

- GST60 *GST/HST Return for Acquisition of Real Property* (revised)
- GST111 *Schedule 1 – Financial Institution GST/HST Annual Information Schedule*
- GST115 *GST/HST Refund Application for Tour Packages*
- GST386 *Refund application for foreign conventions*
- GST489 *Return for Self-Assessment of the Provincial Part of Harmonized Sales Tax (HST)* (revised)

***Excise Duty Memorandum***

- EDM10-3-1 *Refunds* (revised)

***Softwood Lumber Products Export Charge Forms***

- B253-1 *Softwood Lumber Products Export Charge – Independent Remanufacturer Registration Supplement* (revised)
- B278 *Softwood Lumber Products Export Charge Act, 2006 – Application for Refund* (revised)

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at: [www.cra-arc.gc.ca/tax/technical/menu-e.html](http://www.cra-arc.gc.ca/tax/technical/menu-e.html)

***GST/HST Enquiries***

To make enquiries regarding your GST/HST account, call Business Enquiries at 1-800-959-5525

To make enquiries regarding the status of specific GST/HST domestic rebate claims, call  
1-800-565-9353

To make enquiries regarding the status of visitor rebate claims, call 1-800-668-4748

To obtain copies of forms and publications, call 1-800-959-2221

If your business is located in Quebec please call the following toll-free number:  
1-800-567-4692 (Revenu Québec)

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST) as well as excise taxes and duties. This publication is provided for information purposes only and does not replace the law, either enacted or proposed. Please note that any commentary in this newsletter regarding proposed measures should not be taken as a statement by the CRA that such measures will in fact be enacted into the law in their current form. For further information on any of the articles contained in this newsletter, contact your nearest Canada Revenue Agency (CRA) tax services office or call Business Enquiries at 1-800-959-5525. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, Ontario K1A 0L5. ISSN 1183-689X

## Excise and GST/HST News

No. 66

Fall 2007

## Table of contents

2007 Economic Statement .....	1
Minister of Finance announces draft legislation .....	2
GST/HST Regulations .....	4
Effective date of GST/GST registration .....	4
Time limit for refund, credit or adjustment .....	5
Mandatory documentation and input tax credits .....	6
Late-filed applications for the GST/HST new housing rebate and Nova Scotia rebate for owner-built homes .....	6
Reminder – automatic offset of refund or rebate claims .....	7
Questions and answers – GST/HST returns, refunds, payments and notices .....	8
Implementation of a First Nations Goods and Services Tax (FNGST) by the Nunatsiavut Government and the Kwanlin Dun First Nations .....	9
Using the new remittance voucher .....	9
My Business Account (MyBA) .....	10
Prescribed rates of interest .....	10
What's new in publications .....	12

**2007 Economic Statement**

On October 30, 2007, the Minister of Finance presented the 2007 Economic Statement and announced a Notice of Ways and Means Motion which proposes a one percentage point reduction in the rate of the GST. This Notice of Ways and Means Motion proposes amendments to the *Excise Tax Act*, the *Excise Act, 2001*, and the *Air Travellers Security Charge Act*. These measures are included in Bill C-28, the *Budget and Economic Statement Implementation Act, 2007*, which received first reading in the House of Commons on November 21, 2007. The following is a brief synopsis of these proposed measures.

**GST/HST rate reduction**

Effective January 1, 2008, the rate of the GST and the federal component of the HST is proposed to be reduced from 6% to 5%. The provincial component of the HST will remain at 8%. This means that the rate of HST is to be reduced from 14% to 13%. The HST applies only to supplies made in or imported into the participating provinces of Nova Scotia, New Brunswick and Newfoundland and Labrador. The GST applies to supplies made in the rest of Canada.

As the rate of the First Nations Tax (FNT) and the First Nations Goods and Services Tax (FNGST) are in line with the GST/HST, the rate for the FNT and FNGST will also be reduced from 6% to 5%.

Generally, the proposed new rates will apply to the supply of taxable goods, property, and services in the following manner:

- If GST/HST becomes payable on or after January 1, 2008 without having been paid before that day, the 5% GST rate or the 13% HST rate will apply;
- If GST/HST is paid on or after January 1, 2008 without having become payable before that day, the 5% GST rate, or the 13% HST rate will apply.
- If GST/HST becomes payable or is paid in 2007, the 6% GST rate or the 14% HST rate will apply.

La version française du présent document est intitulée *Nouvelles sur l'accise et la TPS/TVH*.

Canada Revenue  
AgencyAgence du revenu  
du Canada

Canada



In addition to the general rule, certain types of transactions (e.g., sales of real property, deemed supplies, imported goods and imported taxable services and intangibles) will have specific transitional rules. GST/HST Notice 226, *Proposed GST/HST Rate Reduction in 2008* contains questions and answers which were created to assist you in understanding how the proposed GST/HST rate reduction will apply in these circumstances. The following GST/HST Info Sheets have also been published:

- GI-038 *The 2008 GST/HST Rate Reduction*
- GI-039 *Applying the 2008 GST/HST Rate Reduction to Allowances and Reimbursements*
- GI-040 *Applying the 2008 GST/HST Rate Reduction to Prepaid Funeral and Cemetery Arrangements*
- GI-041 *GI-041 - The 2008 GST/HST Rate Reduction and Streamlined Methods of Accounting for Small Businesses*
- GI-042 *Applying the 2008 GST/HST Rate Reduction to Price Adjustments, Adjustments for GST/HST Overcharged, and Returned Goods*
- GI-043 *The 2008 GST/HST Rate Reduction and Purchases of New Housing*

The full text of the 2007 Economic Statement is on the Finance Canada Web site at [www.fin.gc.ca](http://www.fin.gc.ca).

### **Air travellers security charge rates**

As a result of the proposed GST/HST rate reduction, the air travellers security charge (ATSC) rates will be adjusted. These ATSC rates will apply to air transportation services purchased on or after January 1, 2008, that include a chargeable emplanement on or after January 1, 2008. A table showing the proposed new ATSC rate structure is in Annex 1 to the *Economic Statement*.

### **Tobacco excise duties**

The Economic Statement proposes to increase excise duties on tobacco products. The proposed excise duty increases will apply beginning January 1, 2008. A table showing the proposed new tobacco excise duty rate structure is in Excise Duty Notice EDN17, *Changes to Excise Duty Rates on Tobacco Products - January 1, 2008*.

### **Tobacco products inventory tax**

The Economic Statement proposes to apply a one-time tax on inventories of tobacco products held on January 1, 2008. More information on the inventory tax is available in the Excise Duty Notice EDN16, *Tobacco Products Inventory Tax January 1, 2008*.

### **Minister of Finance announces draft legislation**

On October 2, 2007, the Minister of Finance announced draft legislation designed to implement tax measures proposed in Budget 2007 but not included in the *Budget Implementation Act, 2007*, which received Royal Assent on June 22, 2007. The measures in this new draft legislation are now included in Bill C-28, the *Budget and Economic Statement Implementation Act, 2007*, which received first reading in the House of Commons on November 21, 2007. Most of these measures were previously summarized in the Spring (No. 64) and Summer (No. 65) editions of the *Excise and GST/HST News*.

The following are highlights of the new draft legislation relating to excise and GST/HST :

- GST/HST annual filing threshold

For fiscal years beginning after 2007, the GST/HST reporting period threshold amount for a fiscal year will be increased from \$500,000 to \$1,500,000. New registrants whose threshold amount for a fiscal year does not exceed \$1,500,000 will have a fiscal year reporting period unless they elect otherwise. Registrants who are currently monthly or quarterly filers and whose threshold amount does not exceed \$1,500,000 will continue as monthly or quarterly filers unless they elect otherwise.



- GST/HST annual remittance thresholds

For fiscal years beginning after 2007, the GST/HST instalment base threshold will be increased from \$1,500 to \$3,000, which means that an annual filer whose net tax remittance for a fiscal year is less than \$3,000 need only make one remittance at the end of the fiscal year.

- Input tax credits (ITCs) for GST/HST paid on meal expenses of long-haul truck drivers

The amendments change the rate of recapture of ITCs claimed by a person in respect of food and beverages consumed by a long-haul truck driver during the driver's eligible travel period. The proportion of the ITCs claimed by the person that must be recaptured will decrease as the deductible portion of long-haul truck driver meal expenses increases for income tax purposes.

In respect of food, beverage, and entertainment expenses in all other circumstances that are deductible for income tax purposes under the *Income Tax Act*, the net rate of recovery of ITCs by a person will remain at 50%.

The amendments apply to amounts in respect of a supply of food and beverages if GST/HST becomes payable, or is paid without having become payable, after March 19, 2007 where no allowance or reimbursement is paid in respect of the supply. The amendments also apply to allowances or reimbursements paid after March 19, 2007 in respect of the supply. The rates of recapture of ITCs claimed by a person in respect of food and beverages consumed during an eligible travel period will be:

- 40% after March 19, 2007 and before 2008,
- 35% for 2008,
- 30% for 2009,
- 25% for 2010,
- and 20% after 2010.

The percentages of recapture for the periods noted above will be based on amounts of GST/HST in respect of a supply of food or beverages that become payable, or are paid without having become payable in that period where no allowance or reimbursement is paid in respect of the supply, or for allowances or reimbursements paid in that period in respect of the supply.

- Excise tax exemptions repealed for renewable fuels

Effective April 1, 2008, alcohol blended fuels and bio-diesel fuels will be subject to the excise tax on gasoline and diesel fuel respectively.

- Self-assessment in respect of intangible personal property

Effective for supplies made after March 19, 2007, non-resident non-registrants who acquire a taxable supply made in Canada of intangible personal property (IPP) that is zero-rated only because it is included in section 10 or 10.1 of Part V of Schedule VI to the *Excise Tax Act* must self-assess the GST/HST. However, the following persons do not have to self-assess the GST/HST:

- a particular individual consumer of the property who acquires or imports the IPP for their own personal consumption, use or enjoyment; or
- a person who acquired the property for consumption, use, or supply exclusively in the person's commercial activities or in activities the person engages in exclusively outside Canada that are not part of a business or adventure or concern in the nature of trade in which the person is engaged in Canada.

To see the *News Release* and the *Legislative Proposals and Explanatory Notes to Implement Remaining Budget 2007 Tax Measures* regarding this announcement please go to the Department of Finance Web site at [www.fin.gc.ca](http://www.fin.gc.ca).

## **GST/HST Regulations**

*Regulations Amending the Streamlined Accounting (GST/HST) Regulations* (SOR/2007-203, 18/09/07) have been made. The amendments:

- modify remittance rates for municipalities using the Special Quick Method. These changes are consequential to the increase to 100% from 57.14% in the federal GST/HST rebate for municipalities (which include persons designated to be a municipality by the Minister);
- reflect the extension of the 83% GST/HST health care rebate to provincially recognized and publicly funded non-profit health care facilities that provide services previously performed in hospitals and to government-funded charities and non-profit organizations that supply ancillary support services to hospitals and eligible health care facilities. The new remittance rates for these entities (other than charities that are required to use the net tax calculation for charities) are the same as the rates for hospital authorities;
- amend the remittance formulae for small businesses and eligible public service bodies as per the 1% reduction in the GST from 7% to 6% and the HST from 15% to 14%. Further to these changes, it should be noted that the rates previously announced in Budget 2006 for municipalities using the Special Quick Method that have a permanent establishment in a non-participating province have been revised. The revised remittance rates, 12.2% for supplies in a participating province and 5.6% for supplies in a non-participating province, ensure that these municipalities remit the appropriate amount of tax.

The *Regulations Amending the Automobile Operating Expense Benefit (GST/HST) Regulations* (SOR/2007-202, 18/09/07) have been amended in keeping with the one percentage point rate reduction of the GST/HST. The amendments reduce the prescribed rate at which the GST/HST is applicable to automobile operating expense benefits.

These regulations are available on the Canada Gazette Web site at: [www.canadagazette.gc.ca](http://www.canadagazette.gc.ca)

CRA publications are being modified to incorporate these amendments.

## **Effective date of GST/GST registration**

Every person who makes a taxable supply in Canada in the course of a commercial activity must register for the GST/HST except where: the person is a small supplier; the only commercial activity of the person is the making of supplies of real property by way of sale otherwise than in the course of a business; or the person is a non-resident person who does not carry on any business in Canada.

The onus is placed on the person to ensure that they are in compliance with the requirements of the GST/HST legislation. As discussed below, some persons must register and some may register voluntarily.

### **Mandatory registration**

The effective date of a person's GST/HST registration depends on when the person exceeded the small supplier threshold amount of \$30,000. For public service bodies, the small supplier threshold amount is \$50,000. Charities and public institutions are also considered small suppliers if they meet the gross revenue test of \$250,000 or less.

If the threshold amount is exceeded in one calendar quarter, the person is considered a registrant and must collect GST/HST on the supply that exceeded the threshold amount. The effective date of registration would be the day the person made the supply that exceeded the threshold amount. The time limit to apply for GST/HST registration is 29 days from that day.

However, if the person does not exceed the threshold amount in one calendar quarter, but has exceeded the threshold amount over four consecutive calendar quarters, the person ceases to be a small supplier after a month following that period. In this case, the effective date of registration would be the day the first supply was made after the person ceases to be a small supplier. The time limit to apply for GST/HST registration is 29 days from this day.

Please note that persons who are carrying on a taxi business and non-resident suppliers of taxable supplies of admissions to places of amusement, seminars, activities or events are required to be registered regardless of whether they are considered small suppliers.

### **Voluntary registration**

Small suppliers engaged in a commercial activity in Canada can **choose** to register voluntarily, with the exception of the above noted persons. Small suppliers who register voluntarily must collect and remit GST/HST on their taxable supplies of goods and services and subsequently, can claim input tax credits (ITCs) for the GST/HST paid or owed on purchases related to these supplies. Small suppliers who choose not to register will not collect GST/HST on their supplies (other than on taxable sales of real property and certain sales of capital property made by a municipality or designated municipality), and are not entitled to claim the GST/HST paid on business purchases as ITCs.

In general, the effective date of a voluntary registration is the date the application is received by the CRA. An exception to this may be made in the case where a person has collected GST/HST on a supply prior to the date the application for registration is received, in which case the effective date will be the date the person started collecting GST/HST.

### **Backdating a voluntary registration more than 30 days**

If a person who is registering voluntarily requests that a registration be backdated beyond a 30-day period, documentation must be presented to support the date requested. The person must provide evidence that GST/HST had been collected from the date requested on a regular and consistent basis. Copies of the sales journal or the earliest three to five invoices are generally sufficient for this purpose.

Persons who collect GST/HST cannot keep any of the GST/HST collected even if their request to have a backdated registration date is denied. All the GST/HST collected must be either returned to the customers and a credit note issued, or remitted to the CRA. In this case, the GST/HST would have been collected in error and the person is not eligible to claim ITCs even if they remit the GST/HST rather than returning it to their customers.

The following GST/HST Memoranda provide further information: GST/HST Memorandum 2.1, *Required Registration*, GST/HST Memorandum 2.2, *Small Suppliers*, and GST/HST Memorandum 2.3, *Voluntary Registration*.

### **Time limit for refund, credit or adjustment**

A supplier may refund, credit or adjust an excess amount of GST/HST that the supplier charged or collected on a supply. The time limit is two years after the day the GST/HST was charged or collected from the recipient of the supply (customer).

The supplier who provides a refund, credit or adjustment of tax shall issue a credit note to the recipient of the supply within a reasonable time. Conversely, the customer may issue a debit note to the supplier once the refund, credit or adjustment is received.



The supplier, if a registrant, should deduct the amount of tax refunded, credited or adjusted in determining its net tax for the reporting period in which the credit note is issued to the customer or the debit note is received by the supplier, to the extent that the amount has been included in determining the net tax for the reporting period or a preceding reporting period of the supplier.

Similarly, a customer who is registered shall add the amount of tax refunded, credited or adjusted in determining the customer's net tax for its reporting period in which the debit note is issued to the supplier or the credit note is received by the customer, to the extent that the amount has been included in determining an ITC claimed by the customer in a return filed for the customer's reporting period or a preceding reporting period. In addition, if the customer has previously received a rebate of an amount refunded, credited or adjusted, the customer is required to pay this amount back to the Receiver General.

For example, A Co., a registered supplier, collected an excess amount of GST/HST from its customer, B Inc., on September 15, 2007. A Co. may refund or credit the amount to B Inc. on or before September 15, 2009.

For a list of the prescribed information that must be included on a credit note please refer to the *Credit Note and Debit Note Information (GST/HST) Regulations*. The CRA plans to publish a memorandum on refund, credit or adjustment of the GST/HST.

### **Mandatory documentation and input tax credits**

A recent Federal Court of Appeal (FCA) judgment in *Systematix Technology Consultants Inc. and Her Majesty the Queen* (2007 FCA 226) held that documentation requirements for input tax credit (ITC) claims are mandatory. These requirements are stipulated in the *Input Tax Credit Information (GST/HST) Regulations*.

The FCA concluded that if the GST/HST registrant claiming ITCs does not have the information required to support the ITC claim (including a valid GST/HST registration number from the supplier as well as the correct name of the supplier), then the registrant cannot claim an ITC, regardless of whether all other requirements in the *Excise Tax Act* are met. The onus is on the claimant to obtain the information that is prescribed in the regulations.

ITC claimants should ensure that claims submitted for ITCs only include GST/HST charged by suppliers who are registered for the GST/HST. The CRA has developed a *GST/HST Registry*, which lets users validate the GST/HST registration number of a business. This Web-based system can be used by anyone to confirm that the business with whom they are dealing is a GST/HST registrant by entering the exact business name, GST/HST number and date of the transaction in question.

It should also be noted that, when entering into transactions that are subject to the GST/HST, all parties should be aware of the ITC implications and should define their legal relationships accordingly.

For more information on claiming ITCs please refer to GST/HST Memorandum 8.1, *General Eligibility Rules*. As well, the CRA Web site menu for Business, GST/HST provides information on ITCs.

### **Late-filed applications for the GST/HST new housing rebate and Nova Scotia rebate for owner-built homes**

The *Excise Tax Act* (the Act) provides time limitations for filing form GST191, *GST/HST New Housing Rebate Application For Owner-Built Houses*. This form is used for claiming both the GST/HST new housing rebate and the Nova Scotia rebate for owner-built homes and must be filed on or before the day that is two years after the earliest of:

- the day construction or substantial renovation is substantially complete;

- the day ownership of the house is transferred if the house is sold before it is occupied; and
- the day that is two years after first occupancy of the house by the owner-builder or a relation.

A recent amendment to the Act permits the CRA, under certain circumstances, to accept an application for the GST/HST new housing rebate or the Nova Scotia rebate for owner-built homes filed after the period otherwise allowed for making an application. This amendment recognizes that extraordinary circumstances may prevent an individual from filing the owner-built home rebate application by the due date.

Such extraordinary circumstances may include: natural or human-made disasters, such as a flood or fire; civil disturbances or disruptions in services, such as a postal strike; serious illness or accident; or serious emotional or mental distress. For example, an individual may have been prevented from filing an owner-built home rebate application on time due to the illness or death of a family member. In such circumstances, the CRA will consider a request to accept the late-filed rebate application.

The CRA will also consider a request to accept a late-filed owner-built home rebate application where the delay resulted primarily from the actions of the CRA (e.g., the CRA provided inaccurate information).

The CRA will consider each request to accept a late-filed owner-built home rebate application on its merits. However, for the application to be accepted, the individual making the request must clearly demonstrate in writing that they were unable to file the rebate application within the statutory time limits due to extraordinary circumstances or actions of the CRA. In addition, it must be shown that the individual acted within a reasonable period of time to remedy the delay in filing the rebate application. Any claims filed after the two-year period **not** accompanied by a letter from the individual indicating the reason(s) for the delay will be disallowed.

The CRA may contact an individual and request more information or clarification concerning the circumstances that resulted in the late filing of the rebate application.

Requests to accept a late-filed rebate application for an owner-built home, which are accompanied by a letter will be reviewed by the Taxpayer Relief Committee at the Summerside Tax Centre.

The GST/HST guide RC4028, *GST/HST New Housing Rebate* provides further information on claiming a housing rebate. Information on taxpayer relief provisions and what the CRA considers “extraordinary circumstances” is available on the CRA Web site.

### **Reminder – automatic offset of refund or rebate claims**

Effective April 1, 2007, as part of the new standardized accounting legislation, refunds or rebates claimed as a result of filing a GST/HST return or a corporate income tax return will only be paid if all returns for all applicable business program accounts are filed as required under the *Excise Tax Act* (ETA), the *Income Tax Act* (ITA), the *Excise Act, 2001*, and the *Air Travellers Security Charge Act* (ATSCA).

The standardized accounting legislation supports the CRA in its commitment to simplify tax compliance for businesses by harmonizing various accounting, penalty and interest provisions of the aforementioned acts administered by CRA.

If you are expecting a refund or rebate after filing your GST/HST return or a rebate application, **you will receive the refund or rebate amount only if you have filed all returns for all of your applicable business program accounts** required under the ETA, the ITA, the *Excise Act, 2001*, and the ATSCA. Any refund or rebate owing to a person may be automatically offset against a debt the person owes to the Receiver General under any of these Acts.



For more information about the new Standardized Accounting provisions see GST/HST Info Sheet GI-024, *Harmonizing the Administrative Provisions Respecting Standardized Accounting*.

### **Questions and answers – GST/HST returns, refunds, payments and notices**

The implementation of the GST/HST system redesign has resulted in a number of changes to the way GST/HST returns, refunds, payments and notices are processed and sent to registrants. The following six questions and answers respond to queries registrants may have as a result of these changes during the transitional period following this system redesign.

#### **1. Why is the CRA holding my GST/HST refund?**

As explained in the previous article, your refund may be held if you have any outstanding returns to file, or your payment may be automatically offset against any debt you owe to the Receiver General under the *Excise Tax Act* (ETA), the *Income Tax Act* (ITA), the *Excise Act, 2001*, or the *Air Travellers Security Charge Act* (ATSCA).

Additionally, the CRA is currently experiencing delays in processing GST/HST returns and refunds due to minor revisions being made to the new GST/HST processing system. Until these revisions are fully implemented, you may experience delays in GST/HST refund processing times.

#### **2. What does it mean when my Notice of (Re) Assessment (NOA) indicates that my account is under review?**

This means that the CRA is reviewing your account to ensure the refund is valid and is determining when you can expect to receive it.

#### **3. Why hasn't the CRA processed my payment yet?**

Generally, the CRA processes each GST/HST payment within 24 hours of receiving it. A payment cannot be allocated, however, unless the accompanying GST/HST return contains enough information to associate the payment with a specific account. You can help ensure that your payment is allocated to the correct account by following these basic steps:

- that you submit Part 2 of your GST/HST return with your payment. Part 2 is at the bottom of page 3 of the return you receive in the mail; and
- that your GST/HST return is completely and accurately filled out.

If your GST/HST return is inaccurate or incomplete, the CRA will need more time to process it, in order to determine the correct Business Number (BN) and the correct filing period to which to apply the payment. If you do not file the return, or file the incorrect part of your return with your payment, the CRA may not be able to process the payment.

#### **4. Why hasn't my payment been allocated to my account?**

Generally, the inability to correctly allocate a payment is due to a lack of accompanying information. If an account number and filing period are not provided with the payment, the CRA is not able to allocate the payment. Allocation of a payment is based on the payment method used.

- A payment made at a financial institution is allocated based on the return filed with the payment. The return you receive is encrypted and the filing period printed on the return is the period to which the payment is allocated.
- A payment sent directly to a tax centre or tax services office will be allocated based on any accompanying information. If there is no accompanying return but the payment (cheque) has an account number and filing period written on it, the payment will be allocated based on that information. If the filing period is not indicated on the payment it will be allocated to the current filing period.



- An electronically filed payment is allocated based on the information indicated by the registrant when completing the online transaction.

The CRA issues a statement after each payment is allocated.

#### 5. Why is the GST/HST return now longer?

The GST/HST return is now four pages (two double-sided pages), as many taxpayers indicated that the previous return was difficult to read because the print was too small. The new return has a larger print size, but is otherwise the same as the previous two-page version of the return.

#### 6. Why am I now receiving a Notice of (Re) Assessment (NOA) after filing my GST/HST return?

With the new GST/HST system, automatic NOAs are generated when tax activity is reported. The CRA does not send a NOA for a filing period if no GST/HST collectible or collected is reported on the return for that filing period.

### Implementation of a First Nations Goods and Services Tax (FNGST) by the Nunatsiavut Government and the Kwanlin Dun First Nations

Both the Nunatsiavut Government and the Kwanlin Dun First Nation have an agreement with the Government of Canada allowing them to impose a value-added tax.

Effective August 20, 2007:

- The Nunatsiavut Government imposed a FNGST on the Nunatsiavut Lands described in Schedule 1 of the *First Nations Goods and Services Tax Act*. These lands include the Labrador Inuit Lands and the Inuit communities of Nain, Hopedale, Makkovik, Postville and Rigolet.  
and
- The Kwanlin Dun First Nation in the Yukon imposed a FNGST on their settlement lands.

As the FNGST is designed to work within the GST/HST framework, no additional forms or changes to registration will be required and vendors will simply apply the FNGST in the same manner. The FNGST replaces the GST. In the harmonized province of Newfoundland and Labrador, the FNGST replaces the federal portion of the HST.

Additional information on FNGST can be found in the guide RC4365, *First Nations Goods and Services Tax (FNGST)* and the GST/HST Notice 143, *Application of GST/FNGST to Yukon First Nations and their Members*.

### Using the new remittance voucher

As previously announced in the Spring 2007 and Summer 2007 editions of the *Excise and GST/HST News*, the CRA has introduced a new GST34, *GST/HST Return for Registrants*. The return is now four pages in length instead of two and the remittance voucher is now at the bottom of page three.

When filing a return or making a payment, registrants must use the remittance voucher **at the bottom of page three** (please detach the voucher along the perforated line).

When filing a return or making a payment to the CRA, do not detach and submit any part of page one of the GST34 return. If you present page one to a financial institution, the institution will not accept it as it does not contain the necessary registrant account information. This will cause delays in the processing of your payment and return.

## **My Business Account (MyBA)**

MyBA provides business owners, including partners, directors and officers, the convenience of using a single user ID and password to access personalized business information and services online.

As of October 22, 2007, several new services are available on the MyBA Web site. Business owners can now:

- authorize their employees and other representatives to access their business information online
- view, update, or cancel the representatives the CRA has on file for their business through MyBA.

Business owners with GST/HST accounts can do the following:

- view account balance and transactions (*new*)
- make online requests
- view business addresses
- view correspondence

Business owners with excise duty accounts, excise tax accounts and now, softwood lumber products export charge accounts can do the following:

- view account balance and transactions (*new*)
- make online requests
- register a formal dispute (Notice of objection)
- view business addresses
- view correspondence
- view transaction details
- view endorsements.

You can find more information about MyBA at [www.cra-arc.gc.ca/mybusinessaccount](http://www.cra-arc.gc.ca/mybusinessaccount) as well as view a demo of services available on MyBA without logging in to this secure portal.

## **Prescribed rates of interest**

Effective April 1, 2007, in accordance with the recent legislative changes relating to standardized accounting, the interest rate calculations for GST/HST (as well as FNGST and FNT) and the air travellers security charge (ATSC) have been changed to harmonize with the interest rate calculations used for income tax, excise tax, excise duty (except excise duty on beer) and the softwood lumber export charge. As of this date, amounts outstanding are subject to a new prescribed rate of interest equal to the “basic rate” plus 4%, while amounts owing to a person are subject to a new prescribed interest rate equal to the “basic rate” plus 2%.

The prescribed annual rate of interest in effect from October 1, 2007, to December 31, 2007, on overdue amounts payable to the Minister is 9%. The prescribed annual rate of interest on amounts owed by the Minister (refunds) is 7%. These rates are applicable to income tax, excise tax, softwood lumber products export charge, GST/HST and ATSC. These rates are also applicable to excise duty (except excise duty on beer) amounts payable after June 30, 2003.

The prescribed annual rate of interest respecting excise duty on beer, on amounts payable for the indicated period, is set at 7%. This rate is also applicable to excise duty (except excise duty on beer) amounts payable prior to July 1, 2003.

Period	Income Tax, Excise Tax, Softwood Lumber Export Charge, GST/HST and ATSC, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)
	Refund Interest	Arrears and Instalment Interest	Arrears Interest
<b>2007</b>			
October 1 – December 31	7%	9%	7%
July 1 – September 30	7%	9%	7%
April 1 – June 30	7%	9%	7%

**Penalties**

Effective April 1, 2007, the 6% penalty is eliminated on overdue amounts of GST/HST, FNGST, FNT and ATSC. A new failure to file penalty is charged on a return that is filed late with an unremitted or unpaid amount. This new penalty is equal to: (a) 1% of the amount overdue on the return, plus (b) one quarter of the amount calculated in (a), times the number of complete months the return was overdue, starting April 1, 2007, to a maximum of 12 months.

For more information on the new interest rates and penalties please refer to GST/HST Info sheet GI-024, *Harmonizing the Administrative Provisions Respecting Standardized Accounting*.

**Up to and including March 31, 2007**

The 6% penalty applies on overdue amounts of GST/HST up to and including March 31, 2007. The prescribed annual rate of interest in effect from January 1, 2007 to March 31, 2007, with respect to the GST/HST (as well as FNGST and FNT) and the ATSC is set at 3.6500% . Interest and the 6% penalty compound daily. To calculate interest, divide the annual rate by 365 (366 in a leap year) and apply it daily to the previous day’s compound balance.

The prescribed annual rate of interest in effect from January 1 to March 31, 2007, with respect to amounts of income tax, excise tax, excise duty (except excise duty on beer) and the softwood lumber export charge payable to the Minister (i.e., arrears and instalment payments) is established at 9%. The prescribed interest rate on amounts owed by the Minister (i.e., refunds) is established at 7%. These rates compound daily.

The prescribed annual rate of interest respecting excise duty on beer amounts is set at 7% for the period January 1, 2007 to March 31, 2007. Penalty compounds monthly and interest compounds daily.

Period	GST/HST, ATSC (per annum)		Income Tax, Excise Tax, Softwood Lumber Export Charge Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)	
	Interest	Penalty	Refund Interest	Arrears and Instalment Interest	Interest	Penalty
<b>2007</b>						
January 1 – March 31	3.65%	6%	7%	9%	7%	6%

Rates of interest for previous periods are available on the CRA Web site.



## What's new in publications

The following is a list of new or revised excise and GST/HST forms and publications.

### GST/HST Forms

GST190A	<i>GST/HST New Housing Rebate – Appendix A</i>
GST370	<i>Employee and Partner GST/HST Rebate Application (revised)</i>
RC1C	<i>Business Number (BN) - Import/Export Account Information (revised)</i>
RC59	<i>Business Consent Form (revised)</i>

### GST/HST Info Sheets

GI-015	<i>GST/HST Rate Reduction and Purchasers of New Housing - July 2007 (revised)</i>
GI-037	<i>Children's Camps Operated by Public Sector Bodies</i>
GI-038	<i>The 2008 GST/HST Rate Reduction</i>
GI-039	<i>Applying the 2008 GST/HST Rate Reduction to Allowances and Reimbursements</i>
GI-040	<i>Applying the 2008 GST/HST Rate Reduction to Prepaid Funeral and Cemetery Arrangements</i>
GI-041	<i>GI-041 - The 2008 GST/HST Rate Reduction and Streamlined Methods of Accounting for Small Businesses</i>
GI-042	<i>Applying the 2008 GST/HST Rate Reduction to Price Adjustments, Adjustments for GST/HST Overcharged, and Returned Goods</i>
GI-043	<i>The 2008 GST/HST Rate Reduction and Purchases of New Housing</i>

### GST/HST Notices

Notice143	<i>Application of GST/FNGST to Yukon First Nations and their Members (revised)</i>
Notice221	<i>Questions and Answers on the Cancellation of the Visitor Rebate Program and the Implementation of the New Foreign Convention and Tour Incentive Program (revised)</i>
Notice222	<i>Implementation of the Kwanlin Dun First Nations Goods and Services Tax (FNGST)</i>
Notice223	<i>Implementation of the Nunatsiavut First Nations Goods and Services Tax (FNGST)</i>
Notice224	<i>Draft Policy Statement: The GST/HST Real Property Implications of Constructing, or Purchasing, and Operating a Residential Care Facility</i>
Notice225	<i>For Discussion Purposes Only, Draft Revised GST/HST Memorandum 3.3.1, Drop Shipments</i>
Notice226	<i>Proposed GST/HST Rate Reduction in 2008</i>
Notice227	<i>The Order Amending the Labrador Innu Settlements Remission Order, 2003 Comes into Force</i>

### GST/HST Policy Statements

P-194R2	<i>Application of Penalties and Interest when a Return and/or Rebate Application, and/or Another Return, is Received after the Due Date</i>
P-196R	<i>Whether Administrative Overhead Costs Fall under Subsection 186(1) of the Excise Tax Act</i>
P-218R	<i>Tax Status of Damage Payments, Whether or not Within Section 182 of the Excise Tax Act</i>

## **GST/HST Technical Information Bulletins**

- B-096 *GST/HST Rate Reduction and Real Property*  
B-097 *Determining Whether a Financial Institution is a Qualifying Institution for Purposes of Section 141.02*  
B-098 *Application of Section 141.02 to Financial Institutions That Are Qualifying Institutions*  
B-099 *Application of Section 141.02 to Financial Institutions That Are Not Qualifying Institutions*  
B-100 *Standardized Accounting*

## **Excise Forms**

- E638 *Application for Exemption From Premium Taxes Imposed Under the Excise Tax Act - Part 1*  
E638A *Statement of availability or declination from authorized insurers - Tax on insurance premiums (Part 1 of the Excise Tax Act)*

## **Excise Duty Memoranda**

- EDM3-8-1 *Special Containers of Spirits (revised)*  
EDM4-8-1 *Special Containers of Wine (revised)*  
EDM10-3-1 *Refunds*

## **Excise Duty Notices**

- EDN16 *Tobacco Products Inventory Tax January 1, 2008.*  
EDN17 *Changes to Excise Duty Rates on Tobacco Products - January 1, 2008*

## **Excise Taxes and Special Levies Notices**

- ETSL66 *For Discussion Purposes Only - Application of Excise Tax to Diesel Fuel used in the Generation of Electricity for the Provision of Hotel Services on Vehicles*

## **Softwood Lumber Products Export Charge Forms**

- B253-1 *Independent Remanufacturer Registration Supplement*  
B275 *Softwood Lumber Products Export Charge Return (revised)*  
B278 *Softwood Lumber Products Export Charge Act, 2006 - Application for Refund*

## **Softwood Lumber Products Export Charge Notices**

- SWLN4 *Security Requirements for Non-Resident Persons and Persons Without a Permanent Establishment in Canada*

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at: [www.cra-arc.gc.ca/tax/technical/menu-e.html](http://www.cra-arc.gc.ca/tax/technical/menu-e.html)

## GST/HST Enquiries

To make enquiries regarding your GST/HST account, call Business Enquiries at 1-800-959-5525

To make enquiries regarding the status of specific GST/HST domestic rebate claims,  
call 1-800-565-9353

To obtain copies of forms and publications, call 1-800-959-2221

If your business is located in Quebec please call the following toll-free number:

1-800-567-4692 (Revenu Québec)

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), First Nations goods and services tax (FNGST) and First Nations tax (FNT), softwood lumber products export charge, air travellers security charge (ATSC) as well as excise taxes and duties. This publication is provided for information purposes only and does not replace the law, either enacted or proposed. Please note that any commentary in this newsletter regarding proposed measures should not be taken as a statement by the CRA that such measures will in fact be enacted into the law in their current form. For further information on any of the articles contained in this newsletter, contact your nearest Canada Revenue Agency (CRA) tax services office or call Business Enquiries at 1-800-959-5525. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, Ontario K1A 0L5. ISSN 1183-689X



## Excise and GST/HST News

No. 67

APR 21 2008

Winter 2008

## Table of Contents

Budget 2008.....	1
Bill C-28 receives Royal Assent.....	3
GST/HST annual information schedule for financial institutions.....	4
Tax status of merger and acquisition services.....	4
GST/HST rebate/refund holds and outstanding corporate income tax returns (T2s) for corporations exempt from paying tax under the Income Tax Act.....	5
Corporations and commercial activity.....	5
First Nations Goods and Services Tax (FNGST).....	5
Foot orthotics and specialty footwear.....	6
Procedure for municipalities to recover overpayment of net tax.....	7
GST/HST electronic filing.....	7
Foreign convention info sheets.....	7
Fraud prevention.....	8
Prescribed rates of interest.....	8
What's new in publications.....	10

## Budget 2008

The federal budget, tabled by the Minister of Finance on February 26, 2008, included several proposed measures relating to the GST/HST and excise duties in the *Notice of Ways and Means Motion to Amend the Excise Tax Act Relating to the Goods and Services Tax and Harmonized Sales Tax (GST/HST)* and the *Notice of Ways and Means Motion to Amend the Excise Act, 2001, the Excise Act, and the Customs Tariff*. The following are highlights of these measures for GST/HST and excise duty purposes. Subsequent to this, Bill C-50, the *Budget Implementation Act, 2008* received first reading in the House of Commons on March 14, 2008.

## Health measures

Supplies of most health care services and products are exempt from the GST/HST, and supplies of prescription drugs and certain medical devices are zero-rated. The budget proposes to expand and clarify provisions relating to the following health care services and products for supplies made after February 26, 2008. These measures include:

- Specially designed training for individuals with autism or other disorders or disabilities will be exempt. This applies to training given to individuals who have a disorder or a disability or to someone who provides personal care or supervision to such an individual. As well, the training cannot be similar to training ordinarily given to others and must be:
  - provided by a government;
  - fully or partially funded by a government program; or
  - certified in writing by a practitioner, medical practitioner, social worker, registered nurse or a prescribed person as being an appropriate means to assist the particular individual in coping with the effects of their disorder or disability;
- Nursing services provided in a health care facility or a person's home are exempt. This exemption will be expanded to include all nursing services, regardless of where they are performed, if the nursing services are rendered to individuals by a registered nurse, a registered nursing assistant, a licensed or registered practical

La version française du présent document est intitulée *Nouvelles sur l'accise et la TPS/TVH*.

Canada Revenue  
AgencyAgence du revenu  
du Canada

Canada

nurse or a registered psychiatric nurse within a nurse-patient relationship. As well, prescribed diagnostic, treatment or other health care services (e.g., blood tests and X-rays) that are currently exempt when made on the order of a medical or other practitioner will also be exempt when ordered by a registered nurse authorized under the laws of a province or territory to order such services if the order is made within a nurse-patient relationship;

- Currently, drugs prescribed by medical practitioners (i.e., physicians and dentists) are zero-rated. This provision will be expanded to include drugs prescribed by other health care professionals who are authorized to prescribe them under the laws of a province or territory. This measure will also apply to supplies made on or before February 26, 2008 if GST/HST was neither charged nor collected in respect of the supply;
- A number of additional medical and assistive devices will be zero-rated (e.g., neuromuscular stimulation or standing therapy devices, chairs specially designed for disabled individuals, chest wall oscillation systems, specially trained service animals); and
- Professional services rendered to individuals by physicians or certain health care professionals will now be exempt even when supplied by a corporation (currently these services are only exempt when supplied directly by physicians or other health care professionals).

### ***GST/HST treatment of long-term residential care facilities***

Effective February 27, 2008, the budget proposes to clarify rules related to the application of the GST/HST to the construction or purchase and operation of residential care facilities. These amendments will affect the conditions for claiming a new residential rental property (NRRP) rebate for long-term residential care facilities, head lease payments, and self-assessment rules for builder-operators of such facilities.

In particular, builder-operators and purchasers of residential care facilities will be entitled to claim a NRRP rebate even if they are supplying their residents with nursing and/or personal care services that include a residential unit, provided that all of the other conditions for claiming the rebate are met. Prior to the proposed amendments, builder-operators and purchasers of residential care facilities could only claim a NRRP rebate if they supplied residential units (i.e., long-term residential rentals). If they supplied nursing and/or personal care services that included the use of a residential unit they were disqualified from claiming the NRRP rebate.

In some cases, builders of residential care facilities will be required to file an election in order to claim the NRRP rebate. This election must be made for a reporting period that ends on or before February 26, 2010, and must be filed no later than the due date of the return for that reporting period.

If you are an owner of a residential care facility that began leasing a newly constructed or substantially renovated facility to an operator on or before February 26, 2008, and you were charging, collecting or remitting GST/HST on the lease payments on or before that date, you may be subject to a change in use under the proposed rules that creates a tax liability in your reporting period that includes February 27, 2008. Also, if you own land that you have leased before February 28, 2008, to a person who constructs or substantially renovates a residential care facility on the land, similar change in use rules may apply to you. If either of these situations apply to you, you should contact GST/HST rulings at 1-800-959-8287.

For detailed information refer to GST/HST Info Sheet GI-045, *Residential Care Facilities and Proposed Changes in the 2008 Budget*.

### ***GST/HST treatment of property leases for wind and solar power equipment***

Currently, the supply of a right to explore for or exploit certain natural resources is not subject to GST/HST. For supplies made on or after February 26, 2008, the budget proposes that this treatment be expanded to include a supply of a right to enter or use land to generate, or evaluate the feasibility of generating electricity from sun or wind. Consistent with current rules, this expanded GST/HST relief will not apply if the supply is made directly to



a consumer or to a person who is not a GST/HST registrant and who acquires the right in the course of a business of making supplies of electricity to consumers.

This treatment will also apply to supplies made before February 26, 2008, but only in respect of the portion of the consideration for the supply that becomes payable, or is paid without having become payable, after February 25, 2008.

### **Tobacco taxation**

The 2008 Budget proposes to implement certain measures with respect to tobacco. These measures include:

- restrictions on the right to possess or import tobacco manufacturing equipment ;
- an increase in the amount of duty payable on tobacco sticks and an adjustment to the amount of duty on packaged manufactured tobacco;
- authorization to import **stamped** tobacco products to be delivered to a duty free shop;
- explicit authority for the Minister of National Revenue to refuse to issue a licence or registration where access to the premises is denied or impeded by any person.

For comprehensive information on amendments to tobacco taxation, refer to Excise Duty Notice EDN21, *Enhancements to Tobacco Compliance and Changes to Duty on Certain Tobacco Product*

### **Excise duty on imitation spirits**

Effective February 27, 2008, the budget proposes that imitation spirits (i.e., spirit-flavoured brewed products that have an alcohol concentration of more than 11.9% by volume) will be subject to the same duty rate as for spirits, \$11.696 per litre of absolute alcohol, rather than for beer.

Products derived from a brewing process with an alcohol concentration of 11.9% or less alcohol by volume will continue to qualify for the duty rate for beer (i.e., \$0.3122 per litre).

Producers or importers of imitation spirits with an alcohol content greater than 11.9% will be required to obtain a licence to produce spirits. As a transitional measure, their existing licence to produce or import beer will be accepted as a licence to produce or import spirits until 30 days after this measure receives Royal Assent. For additional information on this subject, refer to Excise Duty Notice EDN20, *Budget Announcement – Excise Duty on Imitation Spirits*.

### **Previously announced measures**

Among other measures, the budget confirms the Government's intention to proceed with previously announced tax measures, such as proposed improvements to the application of the GST/HST to the financial services sector, announced on January 26, 2007.

The full text of the 2008 budget is available on the Department of Finance Web site at [www.fin.gc.ca](http://www.fin.gc.ca).

### **Bill C-28 receives Royal Assent**

Bill C-28, *Budget and Economic Statement Implementation Act, 2007*, received Royal Assent on December 14, 2007 and is now referred to as Statutes of Canada, 2007, c.35.

Among other amendments, C-28 contains the legislation to reduce the rate of GST and the federal component of the HST. Effective January 1, 2008 the GST rate was reduced from 6% to 5%, and the HST rate from 14% to 13%. Highlights of Bill C-28 were published in the Fall 2007 edition (No. 66) of the *Excise and GST/HST News*.



## **GST/HST annual information schedule for financial institutions**

If you are a financial institution and a GST/HST registrant, and your total annual revenue is more than \$1 million, you must complete new form GST111, *Schedule 1 – Financial Institution GST/HST Annual Information Schedule*. You are required to file this schedule within six months after the end of your fiscal year for fiscal years that began after 2006. For example, if your fiscal year started on November 1, 2007 and ends on October 31, 2008, you will have to file the schedule by April 30, 2009. You are not required to file this schedule for a fiscal year that began before 2007. For example, if your fiscal year started on November 1, 2006 and ends on October 31, 2007 you do not have to file this schedule for that fiscal year.

GST/HST Info Sheet GI-035, *Annual Information Schedule for Financial Institutions*, explains the filing requirements for the new GST/HST annual information schedule for financial institutions. Guide RC4419, *GST/HST Annual Information Schedule for Financial Institution*, provides definitions and line-by-line instructions on how to complete the schedule.

In Quebec, Revenu Québec administers the GST/HST. If your business is located in Quebec, visit the Revenu Québec Web site at [www.revenu.qc.ca](http://www.revenu.qc.ca).

## **Tax status of merger and acquisition services**

A corporation wishing to expand its business may consider various options before finalizing a transaction. For example, the corporation may consider acquiring another corporation by purchasing all of its shares or assets (i.e., an acquisition) or it may amalgamate with another corporation creating one larger corporation (i.e., a merger).

A corporation contemplating expansion through a merger or acquisition will often enter into an agreement with a third party where the third party agrees to provide a number of services which may include the following:

- assisting in analyzing, reviewing or presenting proposed or alternative transactions;
- providing research and evaluation services;
- performing a financial analysis;
- assisting in the determination of appropriate values;
- assisting in preparing documents and information;
- identifying and negotiating with prospective parties;
- holding due diligence meetings;
- providing opinions as to fairness;
- assisting in the development, structuring and negotiating of proposed transactions; or
- providing other financial advice.

When these services are provided together by a third party, and the corporation does not have the option of acquiring the services separately, they will generally be characterized as a single supply for GST/HST purposes. For more information on what constitutes a single or multiple supplies, refer to GST/HST Policy Statement P-077R2, *Single and Multiple Supplies*.

Where a corporation is considering various potential transactions, such as a purchase of assets (generally, a taxable supply) or a purchase of financial instruments, such as the shares of a corporation (an exempt supply), and a major part of the third party's role is to assist the corporation in determining the form the transaction should take, the supply by the third party would be a taxable supply of advice.

For more information on services provided by a third party to a corporation related to merger and acquisition transactions contact GST/HST Rulings at 1-800-959-8287.

### **GST/HST rebate/refund holds and outstanding corporate income tax returns (T2s) for corporations exempt from paying tax under the *Income Tax Act***

In general, the *Excise Tax Act* (the “Act”) prohibits the payment of rebates and refunds to a person until all returns of which the CRA has knowledge, and that are required to be filed under the Act, the *Income Tax Act*, the *Excise Act, 2001* and the *Air Travellers Security Charge Act*, have been filed.

If a corporation is required to file a corporate income tax return (T2), any rebate or refund owing will be held by the CRA until the corporation’s T2 is filed, along with any other returns of which the CRA has knowledge.

The CRA has implemented an administrative position regarding outstanding corporate T2s for municipalities, universities, schools and hospitals, non-profit organizations, federal crown corporations and Indian bands that are exempt from paying tax under the *Income Tax Act*. These entities will not have their rebates or refunds automatically held because of outstanding T2s for taxation years ending on or before March 31, 2008. However, failure by these entities to file their T2s by their due dates for taxation years ending April 1, 2008, and for subsequent taxation years, will result in automated holds being placed on their rebates or refunds.

Note that registered charities, Hutterite colonies, and provincial crown corporations are not subject to rebate or refund holds because of outstanding T2s. As well, a registered charity’s or non-profit organization’s rebate or refund will not be automatically held if the registered charity or non-profit organization has an outstanding information return that is required to be filed under either subsection 149(12) or 149.1(14) of the *Income Tax Act*.

### **Corporations and commercial activity**

Generally, where a corporation makes a supply that is not exempt from GST/HST, it is engaged in a commercial activity for purposes of the *Excise Tax Act* (the “Act”), regardless of whether there is a reasonable expectation of profit, or whether the transaction is part of a business the corporation regularly carries on. Therefore, a supply of property or a service by a corporation is generally subject to GST/HST unless it is an exempt supply.

The definition of “commercial activity” in the Act indicates that a corporation that carries on a business or engages in an adventure or concern in the nature of trade is engaged in a commercial activity, regardless of whether it has a reasonable expectation of profit, unless it is making exempt supplies. A corporation that is engaged in a commercial activity is subject to the normal registration rules under the Act. If the corporation is a registrant, it must collect and remit GST/HST on its supplies unless an exempting provision applies. Where a corporation is required to collect and remit GST/HST, the Act may permit the corporation to claim an input tax credit for GST/HST it paid in respect of property or services it acquired for the purpose of making the supply.

### **First Nations Goods and Services Tax (FNGST)**

Several First Nations have recently signed Tax Administration Agreements with the Government of Canada and have passed laws to enact an FNGST.

- Effective December 17, 2007 the Carcross/Tagish First Nation (a self-governing Yukon First Nation) imposed an FNGST on its settlement lands.
- Effective January 1, 2008 the Shuswap First Nation, Akisqnuq First Nation, Lower Kootenay Indian Band, St. Mary’s First Nation Indian Band and the Tobacco Plains Indian Band began levying the FNGST on their

reserves. The Shuswap First Nation's FNGST also applies on the St. Mary's Reserve #1A, which was set aside for all five of the First Nations and Bands.

- As well, on January 1, 2008 the Shuswap First Nation repealed the law imposing a First Nations Tax (FNT) that was applied to on-reserve sales of certain products i.e., alcoholic beverages, fuel and tobacco products. Vendors will no longer be required to charge FNT as the FNGST has replaced the FNT on the Shuswap lands.

The FNGST is designed to work within the GST/HST framework. No additional forms or changes to registration will be required as vendors will simply apply an FNGST to their supplies of goods and services in the same manner as the GST/HST.

Note: Special rules exist for leased vehicles under the FNGST.

### **Self-assessment**

The Shuswap and Akisqnuq First Nations and the Lower Kootenay, St. Mary's and Tobacco Plains Indian Bands and their Indian members are still eligible for tax relief on goods and services acquired on a reserve where FNGST or FNT does not apply. Similarly, a Yukon Indian person who is a member of the Carcross/Tagish First Nation who does not reside in the Yukon continues to be eligible for tax relief on goods and services acquired on reserve outside the Yukon where the FNGST or FNT does not apply. However, where goods that are acquired tax-relieved are brought onto the lands of a First Nations or an Indian Band that has imposed an FNGST, for consumption on those lands, the goods will be subject to the FNGST. In such cases, form GST531, *Return for Self-assessment of the First Nations Goods and Services Tax (FNGST)*, must be completed and submitted to the CRA, together with the FNGST payable on the self-assessment for the goods acquired.

### **Further information**

The CRA has published two notices regarding the implementation of the FNGST: Notice229, *Implementation of the Carcross/Tagish First Nations Goods and Services Tax*, and Notice230, *First Nations Goods and Services Tax (FNGST) imposed by Shuswap, Akisqnuq, Lower Kootenay, St. Mary's and Tobacco Plains First Nations*.

Guide RC4365, *First Nations Goods and Services Tax (FNGST)*, provides additional details about the FNGST. Form GST531 may also be obtained from any CRA tax services office or on the CRA Web site at [www.cra.gc.ca/aboriginalpeoples](http://www.cra.gc.ca/aboriginalpeoples).

### **Foot orthotics and specialty footwear**

Foot orthotics are zero-rated (i.e., taxed at 0%), but the shoes into which they are inserted are subject to GST/HST at 5% or 13%.

A supply of an orthotic or orthopaedic device is zero-rated when the device is custom-made for an individual or when it is supplied on the written order of a medical practitioner for use by a consumer named in that order.

Footwear specially designed for an individual with a crippled or deformed foot or other similar disability encompasses a wide variety of footwear and includes shoes, boots, sneakers and loafers. However, to qualify for zero-rating, the footwear must be specially designed for defects of the foot such as a physical defect characterized by a form or position which is not normal. All other footwear which is not specially designed is subject to GST/HST, regardless of whether an orthotic fits inside or not.

GST/HST Memorandum 4.2, *Medical and Assistive Devices*, provides more detailed information regarding orthotics and specialty footwear.



**Procedure for municipalities to recover overpayment of net tax**

Municipalities using the Special Quick Method of Accounting that have a permanent establishment in a non-participating province may apply to recover excess amounts remitted due to changes to the remittance rates which were announced for periods after June 30, 2006 and before January 1, 2008.

*Regulations Amending the Streamlined Accounting (GST/HST) Regulations*, which passed on September 18, 2007, retroactively introduced new remittance rates of 12.2% (instead of 12.3%) for supplies in a participating province, and to 5.6% (instead of 5.7%) for supplies in a non-participating province to ensure that rounding did not penalize municipalities. As a result, certain municipalities remitted excess tax amounts.

The procedure for recovering these amounts is as follows:

- Municipalities using the Special Quick Method that filed their returns for reporting periods after June 30, 2006 using the remittance rates of 12.3% or 5.7% may write to their tax centre asking that their returns be adjusted.
- The subject line of the letter should indicate: “Special Quick Method – Request for recovery of overpayment of tax”.
- The letter should specify the municipality’s Business Number, reporting periods in question, the amounts remitted, and the new amounts that should be indicated for those reporting periods.
- Letters requesting adjustment to these returns should be filed by June 30, 2008.

**GST/HST electronic filing**

Eligible GST/HST registrants can now file returns with an amount owing to the CRA over the Internet or by using a touch-tone phone.

Using the 4-digit access code from their personalized returns, registrants can use GST/HST NETFILE or GST/HST TELEFILE to file returns with an amount owing, a nil balance, or a refund of \$10,000 or less. Registrants may file from the convenience of home or office and get immediate confirmation that the CRA has received the return. This results in faster processing so that registrants expecting a refund will receive it sooner – especially if combined with direct deposit. You can learn more about CRA’s GST/HST filing options by visiting [www.cra-arc.gc.ca/gsthst-filing](http://www.cra-arc.gc.ca/gsthst-filing).

**Foreign convention info sheets**

The following GST/HST info sheets have been revised to provide more complete information on the Foreign Convention and Tour Incentive Program:

- GI-026, *Visitor Rebate Program – Non-Residents Purchasing Accommodation: When is the Rebate Still Available?*
- GI-027, *Foreign Convention and Tour Incentive Program – Sponsors of Domestic Conventions: Application of the GST/HST to Admissions Sold to Non-Residents*
- GI-028, *Foreign Convention and Tour Incentive Program – Non-Resident Exhibitors: Application of GST/HST to Purchases and Rebate for Purchases*
- GI-029, *Foreign Convention and Tour Incentive Program – Sponsors of Foreign Conventions: What Is a Foreign Convention and Rebate for Purchases*
- GI-030, *Foreign Convention and Tour Incentive Program – Non-Registered Organizers of Foreign Conventions: Rebate for Purchases*
- GI-031, *Foreign Convention and Tour Incentive Program – Registrant Organizers and Convention Facility Operators: Paying and Crediting the Rebate Amount for Foreign Conventions*

- GI-032, *Foreign Convention and Tour Incentive Program – Non-Residents Purchasing Tour Packages: Rebate for Eligible Tour Packages*
- GI-033, *Foreign Convention and Tour Incentive Program – Non-Resident Tour Operators: Rebate for Accommodation Sold in Eligible Tour Packages*

The following is a new info sheet on the Foreign Convention and Tour Incentive Program:

- GI-044, *Foreign Convention and Tour Incentive Program – Tour Packages: What Is an Eligible Tour Package*

## **Fraud prevention**

Small and medium businesses and not-for-profit organizations (NPOs) are often subject to mass marketing fraud in the form of deceptive telemarketing, deceptive mail and Internet scams. March was Fraud Prevention Month in Canada and around the world. Since 2004, the Fraud Prevention Forum has been hosting month-long education campaigns in an effort to improve Canadians' awareness and understanding about the dangers of fraud and assist them in recognizing, reporting and stopping fraud.

Chaired by the Competition Bureau, the Forum consists of over 100 members from federal, provincial and municipal governments, law enforcement agencies, consumer and volunteer groups, retailers and others in the private sector, who are committed to fighting fraud aimed at businesses and consumers.

The Spring 2008 edition of this newsletter will highlight the national outreach program in an effort to increase awareness about mass marketing fraud in Canada. For more information about Fraud Prevention Month or the Forum, or to view the complete list of partners, visit [www.competitionbureau.gc.ca/fraud](http://www.competitionbureau.gc.ca/fraud).

## **Prescribed rates of interest**

Effective April 1, 2007, in accordance with the recent legislative changes relating to standardized accounting, the interest rate calculations for GST/HST (as well as FNGST and FNT) and the air travellers security charge (ATSC) have been changed to harmonize with the interest rate calculations used for income tax, excise tax, excise duty (except excise duty on beer) and the softwood lumber export charge. As of this date, amounts outstanding are subject to a new prescribed rate of interest equal to the "basic rate" plus 4%, while amounts owing to a person are subject to a new prescribed interest rate equal to the "basic rate" plus 2%.

The prescribed annual rate of interest in effect from January 1, 2008 to March 31, 2008 on overdue amounts payable to the Minister is 8%. The prescribed annual rate of interest on amounts owed by the Minister (i.e., rebate or refunds) is 6%. These rates are applicable to income tax, excise tax, softwood lumber products export charge, GST/HST and ATSC. These rates are also applicable to excise duty (except excise duty on beer) amounts payable after June 30, 2003.

The prescribed annual rate of interest respecting excise duty on beer, on amounts payable for the indicated period, is set at 6%. This rate is also applicable to excise duty (except excise duty on beer) amounts payable prior to July 1, 2003.

Period	Income Tax, Excise Tax, Softwood Lumber Export Charge, GST/HST and ATSC, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)
	Refund Interest	Arrears and Instalment Interest	Arrears Interest
<b>2008</b>			
April 1 – June 30	6%	8%	6%
January 1 – March 31	6%	8%	6%
<b>2007</b>			
October 1 – December 31	7%	9%	7%
July 1 – September 30	7%	9%	7%
April 1 – June 30	7%	9%	7%

### Penalties

Effective April 1, 2007, the 6% penalty is eliminated on overdue amounts of GST/HST, FNGST, FNT and ATSC. A new failure to file penalty is charged on a return that is filed late with an unremitted or unpaid amount. This new penalty is equal to: (a) 1% of the amount overdue on the return, plus (b) one quarter of the amount calculated in (a), times the number of complete months the return was overdue, starting April 1, 2007, to a maximum of 12 months.

For more information on the new interest rates and penalties refer to GST/HST Info Sheet GI-024, *Harmonizing the Administrative Provisions Respecting Standardized Accounting*.

### Up to and including March 31, 2007

The 6% penalty applies on overdue amounts of GST/HST up to and including March 31, 2007.

The prescribed annual rate of interest in effect from January 1, 2007 to March 31, 2007, with respect to the GST/HST (as well as FNGST and FNT) and the ATSC, is set at 3.6500%. Interest and the 6% penalty compound daily. To calculate interest, divide the annual rate by 365 (366 in a leap year) and apply it daily to the previous day's compound balance.

The prescribed annual rate of interest in effect from January 1, 2007 to March 31, 2007, with respect to amounts of income tax, excise tax, excise duty (except excise duty on beer) and the softwood lumber export charge payable to the Minister (i.e., arrears and instalment payments), is established at 9%. The prescribed interest rate on amounts owed by the Minister (i.e., rebates or refunds) is established at 7%. These rates compound daily.

The prescribed annual rate of interest respecting excise duty on beer amounts is set at 7% for the period January 1, 2007 to March 31, 2007. Penalty compounds monthly and interest compounds daily.

Period	GST/HST, ATSC (per annum)		Income Tax, Excise Tax, Softwood Lumber Export Charge Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)	
	Interest	Penalty	Refund Interest	Arrears and Instalment Interest	Interest	Penalty
<b>2007</b>						
January 1 – March 31	3.65%	6%	7%	9%	7%	6%

Rates of interest for previous periods are available on the CRA Web site.



## What's new in publications

The following is a list of new or revised excise and GST/HST forms and publications.

### **GST/HST Forms**

GST20	<i>Election for GST/HST Reporting Period</i>
GST59	<i>GST/HST Return for Imported Taxable Supplies</i>
GST60	<i>GST/HST Return for Acquisition of Real Property</i>
GST111	<i>Schedule 1 – Financial Institution GST/HST Annual Information Schedule</i>
GST116	<i>Application, Renewal, or Revocation of the Authorization for a Qualifying Institution to use Particular Methods</i>
GST117	<i>Transitional Year Election or Revocation of an Election for a Qualifying Institution to Determine Input Tax Credits on Residual Inputs</i>
GST118	<i>Election or Revocation of an Election for a Financial Institution to use the Prescribed Percentage</i>
GST159	<i>Notice of Objection (GST/HST)</i>
GST191-WS	<i>Construction Summary Worksheet</i>
GST192	<i>GST/HST Transitional Rebate Application for Builders of New Housing on Leased Land</i>
GST193	<i>GST/HST Transitional Rebate Application for Purchasers of New Housing</i>
GST495	<i>Rebate Application for Provincial PART of Harmonized Sales Tax (HST)</i>
GST524	<i>GST/HST New Residential Rental Property Rebate Application</i>
GST525	<i>Supplement to the New Residential Rental Property Rebate Application - Multiple Units</i>
GST531	<i>Return of self-assessment of the First Nations Goods and Services Tax (FNGST)</i>
RC1	<i>Request for a Business Number (BN)</i>

### **GST/HST Guides**

RC4406	<i>Will you do it for cash?</i>
RC4419	<i>Financial Institution GST/HST Annual Information Schedule</i>

### **GST/HST Info Sheets**

GI-026	<i>Visitor Rebate Program – Non-Residents Purchasing Accommodation: When is the Rebate Still Available?</i>
GI-027	<i>Foreign Convention and Tour Incentive Program – Sponsors of Domestic Conventions: Application of the GST/HST to Admissions Sold to Non-Residents</i>
GI-028	<i>Foreign Convention and Tour Incentive Program – Non-Resident Exhibitors: Application of GST/HST to Purchases and Rebate for Purchases</i>
GI-029	<i>Foreign Convention and Tour Incentive Program – Sponsors of Foreign Conventions: What Is a Foreign Convention and Rebate for Purchases</i>
GI-030	<i>Foreign Convention and Tour Incentive Program – Non-Registered Organizers of Foreign Conventions: Rebate for Purchases</i>
GI-031	<i>Foreign Convention and Tour Incentive Program – Registrant Organizers and Convention Facility Operators: Paying and Crediting the Rebate Amount for Foreign Conventions</i>
GI-032	<i>Foreign Convention and Tour Incentive Program – Non-Residents Purchasing Tour Packages: Rebate for Eligible Tour Packages</i>
GI-033	<i>Foreign Convention and Tour Incentive Program – Non-Resident Tour Operators: Rebate for Accommodation Sold in Eligible Tour Packages</i>
GI-044	<i>Foreign Convention and Tour Incentive Program – Tour Packages: What Is an Eligible Tour Package</i>
GI-045	<i>Residential Care Facilities and Proposed Changes in the 2008 Budget</i>

### **GST/HST Memoranda Series**

8.2	<i>General Restrictions and Limitations</i>
19.3.1.2	<i>Stated Price Net of Rebate – GST at 5%</i>
19.3.8	<i>New Housing Rebates and the HST</i>

### 19.3.8.1 *New Housing Rebates and HST at 13%*

#### **GST/HST Notices**

- Notice228 *Notice of Change - GST/HST Memoranda 4.4, Agriculture and Fishing*  
Notice229 *Implementation of the Carcross/Tagish First Nations Goods and Services Tax*  
Notice230 *First Nations Goods and Services Tax (FNGST) imposed by Shuswap, Aikisnuk, Lower Kootenay, St. Mary's and Tobacco Plains First Nations*  
Notice231 *Notice of Change – GST/HST Technical Information Bulletin B-100, Standardized Accounting*

#### **GST/HST Technical Information Bulletins**

- B-038 *Returnable Containers Other than Beverage Containers (revised)*

#### **Excise Duty Notices**

- EDN18 *Questions and Answers on the Tobacco Products Inventory Tax*  
EDN19 *Additional Information Concerning the Transitional Measures Regarding Compositional Standards for Spirits*  
EDN20 *Budget Announcement – Excise Duty on Imitation Spirits*  
EDN21 *Enhancements to Tobacco Compliance and Changes to Duty on Certain Tobacco Products*  
EDBN12 *K50B Filing and Payment Schedules for Brewers (2008-2009)*

#### **Excise Taxes and Special Levies Notices**

- ETSL68 *Frequently Asked Questions Regarding Part 1 of the Excise Tax Act*

All GST/HST, excise duty, and excise taxes and special levies publications can be found on the CRA Web site at: [www.cra-arc.gc.ca/tax/technical/menu-e.html](http://www.cra-arc.gc.ca/tax/technical/menu-e.html).

### **Enquiries**

To make enquiries regarding your GST/HST account, call Business Enquiries at 1-800-959-5525

To make enquiries regarding the status of specific GST/HST domestic rebate claims,  
call 1-800-565-9353

To obtain copies of forms and publications, call 1-800-959-2221

If your business is located in Quebec please call the following toll-free number:  
1-800-567-4692 or visit their Web site at [www.revenu.gouv.qc.ca](http://www.revenu.gouv.qc.ca)

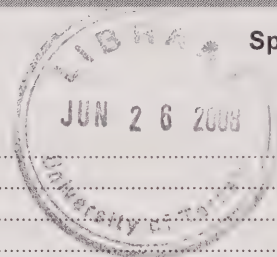
The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), First Nations goods and services tax (FNGST) and First Nations tax (FNT), softwood lumber products export charge, air travellers security charge (ATSC) as well as excise taxes and duties. If you would like to receive a link to each new edition of the *Excise and GST/HST News* as it is published, subscribe to the electronic mailing list.

This publication is provided for information purposes only and does not replace the law, either enacted or proposed. Please note that any commentary in this newsletter regarding proposed measures should not be taken as a statement by the CRA that such measures will in fact be enacted into the law in their current form. For further information on any of the articles contained in this newsletter, contact your nearest Canada Revenue Agency (CRA) tax services office or call Business Enquiries at 1-800-959-5525. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, Ontario K1A 0L5.





## Table of Contents



Ships' Stores Regulations .....	1
Notice to vendors and Nisga'a citizens .....	1
Health care professionals .....	2
Small supplier divisions .....	3
Reminder for tourism industry .....	4
Enhancements to My Business Account .....	5
Reminder – using the new GST/HST remittance voucher .....	5
Prescribed rates of interest .....	5
What's new in publications .....	6

### **Ships' Stores Regulations**

Prior to April 1, 2008, the *Excise Tax Act* (the Act) provided for an excise tax exemption in the case of the alcohol portion of gasoline-alcohol and diesel-alcohol blended fuel and bio-diesel fuel, whether blended or not. These exemptions were repealed April 1, 2008.

The Government is proposing to amend the Schedule to the *Ships' Stores Regulations* to include renewable fuels in the list of goods that qualify as ships' stores. The *Ships' Stores Regulations* designate certain classes of goods as "ships' stores" where they are consumed on board a qualifying conveyance. Such classes of goods are generally eligible for relief from the duties and taxes normally imposed. The current list of goods eligible for exemption includes "petroleum products" but does not extend relief to renewable fuels. The Government is proposing to amend the *Ships' Stores Regulations* to extend the exemption to all types of fuel, including renewable fuels, when they qualify as ships' stores. For excise tax purposes, it is proposed that the amendment be retroactive to April 1, 2008.

However, until the amendments to the *Ships' Stores Regulations* are adopted such that renewable fuels are included on the list of goods that qualify as ships' stores, such fuels must be purchased on an excise tax-paid basis.

At such time as the amendments to the *Ships' Stores Regulations* may be adopted, qualified purchasers will be eligible to file a form N15, *Application for Refund/Deduction of Excise Taxes*, directly with the CRA, retroactive to April 1, 2008, pursuant to subsection 68.01(2) of the Act. All end-user refund claims must be submitted within two years from the date of purchase.

For more information please see Excise Taxes and Special Levies Notice ETSL69, *Proposed Amendment to the Ships' Stores Regulations to Include Renewable Fuels*. Please call Excise Duties and Taxes 1-866-330-3304 for questions relating to your particular circumstances.

### **Notice to vendors and Nisga'a citizens**

The transitional GST/HST relief provided to qualifying Nisga'a citizens expired May 31, 2008.

As of June 1, 2008, everyone will be subject to GST/HST when acquiring taxable supplies on Nisga'a lands that formerly were reserve lands, or on a reserve elsewhere.

La version française de la présente publication est intitulée *Nouvelles sur l'accise et la TPS/TVH*.



Nisga'a citizens living in the urban locals of Prince Rupert/Port Edward, Terrace and Greater Vancouver or elsewhere in Canada are also now subject to GST/HST when goods are acquired on a reserve.

The transitional relief provided under the *Nisga'a Final Agreement Indian Remission Order* remains in effect for all other taxes until December 31, 2012.

Nisga'a lands that were former reserves in British Columbia include:

- the Nisga'a Village of New Aiyansh,
- the Nisga'a Village of Gitwinksihlkw,
- the Nisga'a Village of Laxgalt'sap, and
- the Nisga'a Village of Gingolx.

### **Health care professionals**

Exemptions from the GST/HST for supplies of medical and certain other health care services are limited to those listed in the *Excise Tax Act* when they are rendered to individuals by regulated health care professionals who are identified in the Act. These professionals are "medical practitioners" and "practitioners" as defined in the Act. In addition, the Act exempts certain services provided by registered nurses, social workers, and dental hygienists.

### **Exempt services**

A supply of a consultative, treatment, diagnostic or other health care service rendered by a "medical practitioner" to an individual is generally exempt. A "medical practitioner" for purposes of the GST/HST means a person who is licensed under the laws of a province to practise the profession of medicine or dentistry.

A supply of any of the following services is exempt if the service is rendered to an individual by a "practitioner" of the service:

- optometry services
- chiropractic services
- physiotherapy services
- chiropodic services
- podiatric services
- osteopathic services
- audiological services
- speech-language pathology services
- occupational therapy services
- psychological services
- dietetic services
- midwifery services

A "practitioner" for purposes of the Act is defined to mean a person who practises the profession of any of the above services and who is licensed or otherwise certified to practise that profession (if required in the province where the service is supplied) or has the qualifications equivalent to those necessary to be so licensed or certified in another province (if not required in the province where the service is supplied).

Nursing services are generally exempt when they are rendered to an individual by a registered nurse or other licensed or registered nurse professional. Social work services rendered to an individual within a professional-

client relationship are also generally exempt when the services are rendered by a licensed or otherwise certified social work professional. If the social worker is not required to be licensed or certified in the province where the service is supplied, then the social worker must have the qualifications equivalent to those necessary to be so licensed or certified in another province.

There are also exemptions for services that are paid for under a provincial health insurance plan and for radiological, laboratory and other similar diagnostic services rendered to an individual when the service is supplied on the order of a medical practitioner or practitioner.

**Taxable services**

Other health care services are not exempt under the Act. While many workers in fields relating to health care may be professionals in their fields, they are not medical practitioners or practitioners for GST/HST purposes. As a result, their services are **not exempt** supplies even where, for example, the service is similar to a service that may be performed by nurses or physiotherapists. Some examples of therapists and other health care workers whose services are taxable for GST/HST purposes are:

- acupuncturists
- kinesiologists
- massage therapists
- naturopaths
- reflexologists
- homeopaths
- reiki therapists
- sports therapists
- Roling therapists
- traditional Chinese medicine providers
- phlebotomists
- personal support workers

**More information**

Please note that the onus is on service providers to determine if their supplies are exempt. Please contact GST/HST Rulings at 1-800-959-8287 for information on how GST/HST applies to your supplies of health care services.

**Small supplier divisions**

If a public service body or “PSB” (defined to mean a charity, non-profit organization, municipality, school authority, hospital authority, public college, or university) has to register for GST/HST or wants to register voluntarily, it has to do so as a single legal entity. Branches or divisions that are part of one legal entity cannot register separately. A PSB must take into account the total revenue of the entity to determine whether or not it has to register.

However, if a PSB has branches or divisions, its head office may apply to have each branch or division with \$50,000 or less in taxable supplies designated as a small supplier division. A branch or division will qualify as a small supplier division under the following conditions:

- it has taxable supplies of \$50,000 or less over the past four consecutive calendar quarters and also \$50,000 or less in the current calendar quarter;
- the branch or division can be identified separately by either its location or the nature of its activities;



- separate records, books of account, and accounting systems are kept for the branch or division; and
- an earlier designation of the branch or division has not been revoked within the previous 365-day period.

Even though the PSB itself may be a GST/HST registrant, once approved, a designated small supplier division is treated as a non-registrant: it will no longer collect GST/HST on its taxable supplies (except for taxable sales of real property, capital personal property of a municipality and capital designated municipal property of a designated municipality) and input tax credits cannot generally be claimed for its purchases. To apply for this treatment, the PSB can call us or complete form GST31, *Application by a Public Service Body to Have Branches or Divisions Designated as Eligible Small Supplier Divisions*, and return it to us.

Please note that there may be other tax consequences at the time when a branch or division of a PSB becomes a small supplier division, for example, deemed tax payable on non-capital property held for consumption, use or supply primarily in the course of commercial activities and recapture of certain input tax credits. For more information in this regard, please contact GST/HST Rulings at 1-800-595-8287.

### **Example 1**

A charity that is a GST/HST registrant has a head office and nine branches. Each branch is located in a different area of the city and keeps separate records. The charity applies to have five branches, each having annual taxable supplies of \$35,000, designated as small supplier divisions. Although no GST/HST will generally be collected on the taxable supplies made by these five branches, the charity remains a GST/HST registrant and must collect GST/HST on taxable supplies made by the head office and the four branches that are not designated.

The CRA is to be notified in cases where small supplier division designations have to be updated or added.

### **Example 2**

All of a school authority's individual schools have been designated as small supplier divisions. On July 1, 2008 one of the schools is closed. The CRA should be notified of this change.

### **Example 3**

Municipality A has five designated small supplier divisions. Municipality A and Municipality B amalgamate to create Municipality C. In addition to notifying the CRA of the amalgamation, Municipality C would be required to make applications to have any of its branches or divisions designated as small supplier divisions.

For further information on small supplier divisions please see GST/HST Memoranda Series 2.4, *Branches and Divisions*.

### **Reminder for tourism industry**

The Foreign Convention and Tour Incentive Program (FCTIP) was implemented effective April 1, 2007. Under the FCTIP, non-residents continue to be eligible for a rebate of up to 50% of the GST/HST paid on tour packages and non-resident tour operators continue to be eligible for a rebate of the GST/HST paid on accommodation that they resell as part of a tour package. You can find specific information on the FCTIP in GST/HST Info Sheets GI-026 to GI-033 and GI-044, available on the CRA Web site.

As a service to your customers, you may want to confirm that your Web sites and brochures reflect the current information and remove any outdated information. For example, since the FCTIP does not provide a rebate of GST/HST paid on goods exported from Canada by non-resident visitors, please ensure that the brochures available to visitors do not indicate that there is a GST/HST rebate on these goods.

Under the transitional rules for the Visitor Rebate Program, certain accommodation is still eligible for a rebate. The accommodation must have been sold to a non-resident under an agreement in writing entered into before September 25, 2006 and the accommodation must be made available to a non-resident individual before

April 2009. Please see GST/HST Info Sheet GI-026, *Visitor Rebate Program – Non-Residents Purchasing Accommodation: When is the Rebate Still Available?* for more information.

### **Enhancements to My Business Account**

As of April 7, 2008, business owners (including partners, directors, and officers) have access to more services on My Business Account. Authorized employees and representatives can access most of the information and perform certain transactions for the business owner using the “Represent a Client” service. Business owners can authorize their employees and third party representatives to access their account information online using *My Business Account*, or with the recently revised RC59, *Business Consent Form*.

The enhanced “View account balance and transactions” service allows users to calculate an amount owing for a future date including accrued interest for GST/HST, excise accounts, and corporation income tax. Eligible registrants can now file a GST/HST return through My Business Account without a Web Access Code. You can also view and update the operating name of the business and view the direct deposit banking arrangements for all accounts. For payroll deductions accounts, the ability to view account transactions and remitting requirements has also been added.

You can learn more on how to access these and many other services by visiting [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

### **Reminder – using the new GST/HST remittance voucher**

Some registrants are eligible to file their GST/HST return electronically using NETFILE or TELEFILE. These registrants may receive a GST34-2, *Goods and Services Tax/Harmonized Sales Tax Return for Registrants – for Telefile and Netfile Clients* in the mail. As of October 2007 the CRA is including the remittance voucher RC158, *GST/HST Netfile/Telefile Remittance Voucher*, in the same envelope.

Although the GST34-2 looks similar to the GST34, *GST/HST Return for Registrants*, it has a personalized access code printed on it to enable registrants to file electronically.

The RC158 remittance voucher should only be used to make a payment (if applicable) for returns filed electronically via GST/HST NETFILE or TELEFILE.

If you send your payment and an RC158 voucher to the CRA, you must also file a return either electronically or by mail. Returning the RC158 remittance voucher and payment alone **does not** fulfil a registrant’s filing obligations. If you do not file (either electronically, using GST34-2 or by mail, using the GST34) you will receive a Failure to File notice.

Registrants who are not filing their returns electronically must file their returns using the paper version of the GST34. (Please note that the GST34-2 is also acceptable for filing by mail.)

### **Prescribed rates of interest**

Effective April 1, 2007, in accordance with the recent legislative changes relating to standardized accounting, the interest rate calculations for GST/HST (as well as FNGST and FNT) and the air travellers security charge (ATSC) have been changed to harmonize with the interest rate calculations used for income tax, excise tax, excise duty (except excise duty on beer) and the softwood lumber products export charge. As of this date, amounts outstanding are subject to a new prescribed rate of interest equal to the “basic rate” plus 4%, while amounts owing to a person are subject to a new prescribed interest rate equal to the “basic rate” plus 2%.

The prescribed annual rate of interest in effect from April 1, 2008 to June 30, 2008 on overdue amounts payable to the Minister is 8%. The prescribed annual rate of interest on amounts owed by the Minister (i.e., rebates or refunds) is 6%. These rates are applicable to income tax, excise tax, softwood lumber products export charge, GST/HST and ATSC. These rates are also applicable to excise duty (except excise duty on beer) amounts payable after June 30, 2003.

The prescribed annual rate of interest respecting excise duty on beer, on amounts payable for the indicated period, is set at 6%. This rate is also applicable to excise duty (except excise duty on beer) amounts payable prior to July 1, 2003.

Period	Income Tax, Excise Tax, Softwood Lumber Products Export Charge, GST/HST and ATSC, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)
	Refund Interest	Arrears and Instalment Interest	Arrears Interest
<b>2008</b>			
April 1 – June 30	6%	8%	6%
January 1 – March 31	6%	8%	6%
<b>2007</b>			
October 1 – December 31	7%	9%	7%
July 1 – September 30	7%	9%	7%
April 1 – June 30	7%	9%	7%

### Penalties

Effective April 1, 2007, the 6% penalty was eliminated on overdue amounts of GST/HST, FNGST, FNT and ATSC. A failure to file penalty is now being charged on a return that is filed late with an unremitted or unpaid amount. This penalty is equal to: (a) 1% of the amount overdue on the return, plus (b) one quarter of the amount calculated in (a), times the number of complete months the return was overdue, starting April 1, 2007, to a maximum of 12 months.

For more information on these interest rates and penalties refer to GST/HST Info Sheet GI-024, *Harmonizing the Administrative Provisions Respecting Standardized Accounting*.

Rates of interest for previous periods are available on the CRA Web site.

### What's new in publications

The following is a list of new or revised excise and GST/HST forms and publications.

#### GST/HST forms

B268 *Notification of Fiscal Months*

#### GST/HST memoranda

12-2 *Refund, Adjustment, or Credit of the GST/HST under Section 232 of the Excise Tax Act*



**GST/HST notices**

- NOTICE232 *Notice of Change – GST/HST Memorandum 4.4, Agriculture and Fishing*  
NOTICE233 *Filing an Election under Section 167.11 of the Excise Tax Act*  
NOTICE234 *Nisga'a Citizens and GST/HST*

**GST/HST policy statements**

- P-250 *Late-filed subsection 225.2(4) elections*

**GST/HST technical information bulletins**

- B-101 *Trusts*  
B-102 *First Nations Goods and Services Tax - Place of Supply*

**Excise duty forms**

- B270 *Excise duty return – Non-Licensee*  
E60 *Tobacco Products Export Form*

**Excise duty memoranda**

- EDM3-2-3 *Labelling of Containers of Spirits*  
EDM4-2-3 *Labelling of Containers of Wine (revised)*

**Excise duty notices**

- EDN21 *Enhancements to Tobacco Compliance and Changes to Duty and Special Duty on Certain Tobacco Products*

**Excise taxes and special levies notices**

- ETSL64 *Excise Tax on Fuel-Inefficient Vehicles – List of Vehicles and Associated Tax Rates (revised for 2008)*  
ETSL69 *Proposed Amendment to the Ships' Stores Regulations to Include Renewable Fuels*

**Excise taxes and special levies rates**

- ATSCRATES *Air Travellers Security Charge (ATSC) Rates (revised)*  
CURRATE *Current Rates of Excise Taxes (revised)*

**Softwood lumber products export charge forms**

- B253 *Softwood Lumber Products Export Charge – Registration Form*  
B253-2 *Softwood Lumber Products Export Charge – Registration Supplement - Multiple Regions or Mills*  
B279 *Softwood Lumber Products Surge Charge Return*

**Softwood lumber products export charge notices**

- SWLN5 *Exporters of Softwood Lumber Products – Certification of Independent Remanufacturers*  
SWLN6 *Calculating and Reporting the Surge Charge*  
SWLN7 *Surge Charge - Alberta Region (March 2007)*  
SWLN8 *American Consumption of Softwood Lumber Products Regulations*

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at [www.cra.gc.ca/gsthsttech](http://www.cra.gc.ca/gsthsttech).

## Enquiries

To make enquiries regarding your GST/HST account, call Business Enquiries at 1-800-959-5525

To make enquiries regarding the status of specific GST/HST domestic rebate claims,  
call 1-800-565-9353

To obtain copies of forms and publications, call 1-800-959-2221

If your business is located in Quebec, contact Revenu Québec at 1-800-567-4692 or visit their Web site at  
[www.revenu.gouv.qc.ca](http://www.revenu.gouv.qc.ca)

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), First Nations goods and services tax (FNGST) and First Nations tax (FNT), softwood lumber products export charge, air travellers security charge (ATSC) as well as excise taxes and duties. If you would like to receive a link to each new edition of the *Excise and GST/HST News* as it is published, [subscribe](#) to the [electronic mailing list](#).

This publication is provided for information purposes only and does not replace the law, either enacted or proposed. Please note that any commentary in this newsletter regarding proposed measures should not be taken as a statement by the CRA that such measures will in fact be enacted into the law in their current form. For further information on any of the articles contained in this newsletter, contact your nearest Canada Revenue Agency (CRA) tax services office or call Business Enquiries at 1-800-959-5525. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, ON K1A 0L5.

## Table of Contents

Bill C-50 receives Royal Assent.....	1
Elections under the <i>Excise Tax Act</i> .....	1
Specialized medical and assistive devices .....	5
Pesticides .....	6
GST and the Ontario Destination Marketing Fee.....	6
Long distance roaming calls .....	6
Changes to the rates and the method of calculating excise duty on certain tobacco products.....	7
New Business Number (BN) starts with "7" .....	8
Prescribed rates of interest .....	8
What's new in publications .....	9
Inquiries .....	10

### Bill C-50 receives Royal Assent

Bill C-50, the *Budget Implementation Act, 2008*, received Royal Assent on June 18, 2008 and is now referred to as the *Statutes of Canada, 2008, c. 28*.

A summary of the GST/HST and excise duty measures in the Bill is provided in the Winter 2008 edition (No. 67) of the *Excise and GST/HST News*.

### Elections under the *Excise Tax Act*

The *Excise Tax Act* (the Act) provides opportunities for registrants to personalize their business activities with the CRA. For example, by electing to change your reporting period or by electing to make certain sales taxable, you can tailor your business affairs and account responsibilities to suit your needs.

Should you **elect** to conduct business in a certain manner, you are required to either complete an election form or otherwise state in writing that the election has been made, and the election or statement must be retained with your books and records. Generally, the election remains in effect until you notify the CRA with a "Revocation of an Election" or your business activities change to such an extent that the particular election criteria no longer apply to you. Please note that each election has specific requirements; some forms or letters must be filed with the CRA and others need only be retained in your books and records.

If the election you choose is a joint election, each party must keep a completed copy with their books and records while the election is in effect and generally for six years after the end of the year to which an election relates. If revoking an election, a copy must also be kept by each party.

The following is a list of possible elections in the order of the provision of the Act to which they relate. All forms are available on the CRA Web site at [www.cra.gc.ca/forms](http://www.cra.gc.ca/forms).

#### Election 129

*Application by a Public Service Body to have Branches or Divisions Designated as Eligible Small Supplier Divisions.*  
Send the completed Form GST31 to your tax services office.



**Subsection 141.02(7)**

*Transitional Year Election or Revocation of an Election for a Qualifying Institution to Determine Input Tax Credits on Residual Inputs.* Send the completed election Form GST117 to your tax services office. Please refer to GST/HST Technical Information Bulletin B-098, *Application of Section 141.02 to Financial Institutions That Are Qualifying Institutions* for more information.

**Subsection 141.02(9)**

*Election or Revocation of an Election for a Financial Institution to use the Prescribed Percentage.* Send the completed election Form GST118 to your tax services office. Please refer to GST/HST Technical Information Bulletin B-099, *Application of Section 141.02 to Financial Institutions That Are Not Qualifying Institutions* for more information.

**Subsection 150(1)**

*Election or Revocation of an Election to Deem Certain Supplies to be Financial Services.* Send the completed election Form GST27 to your tax services office. This is a joint election used by members of a closely-related group. Please refer to GST/HST Memorandum 17.14, *Election for Exempt Supplies* for more information.

**Subsections 156(2) and (2.1)**

*Closely Related Corporations and Canadian Partnerships – Election or Revocation of the Election to Treat Certain Taxable Supplies as Having Been Made for Nil Consideration.* This election does not apply to the sale of real property or to any supply of property or a service that is not acquired by a recipient for consumption, use or supply exclusively in a commercial activity of the recipient. This is a joint election. A copy of the completed election Form GST25 or a statement of prescribed information must be kept with the books and records (not sent to the tax services office) of each party to the election.

**Subsections 167(1) and (1.1)**

*Election Concerning the Acquisition of a Business or Part of a Business.* For an election made under subsection 167(1) no GST/HST is payable in respect of a supply of any property or service made under the agreement for the supply of a business or part of a business, other than a taxable supply of a service that is to be rendered by the supplier, a taxable supply of property by way of lease, licence or similar arrangement and, where the recipient is not a registrant, a taxable supply of real property. A recipient that is a registrant must file the completed election Form GST44 with the CRA within the time in which the recipient is required to file its return for any tax that is payable on the supply of the business or that would have been payable if the election had not been made. The recipient must keep with its books and records a completed election form or, if the original was filed with the CRA, a copy of that form. This election can be made by two non-registrants. However, if the supplier is a GST/HST registrant and the recipient is not a registrant, this election cannot be used.

**Section 167.11**

*Joint Election for Time-limited GST/HST Relief for Initial Transfers from a Foreign Bank's Canadian Subsidiary to Its Newly Established Canadian Branch.* Write a letter according to the information requested in GST/HST Notice 233 *Filing an Election under Section 167.11 of the Excise Tax Act* and send it to the address provided in that notice.

**Subsection 173(2)**

*Election for Passenger Vehicles or Aircraft to be Deemed To Be Used Exclusively in Non-commercial Activities.* A copy of GST30 or a statement of prescribed information must be kept with your books and records. This election cannot be revoked.

#### **Subsection 177(1.1)**

*Election and Revocation of an Election Between Agent and Principal.* This election is for a registrant agent who makes taxable supplies (other than by auction) to recipients on behalf of a principal who is required to collect GST/HST on those supplies. With this election, the agent and principal jointly elect for the agent to account for the GST/HST on these supplies instead of the principal. The agent and principal must each keep a copy of the completed election Form GST506 with their books and records. This election may also be made for a single supply.

#### **Subsection 177(1.3)**

*Election and Revocation of Election Between Auctioneer and Principal.* An auctioneer and a principal can use this form to jointly elect to have the principal collect and account for the GST/HST on taxable supplies of prescribed goods made by the auctioneer on behalf of the principal and to have the auctioneer charge tax to the principal on the supply of the auctioneer's service relating to the supplies of the goods. Both the auctioneer and the principal have to be registrants for GST/HST purposes. The auctioneer and principal must each keep a copy of the completed election Form GST502 with their books and records.

#### **Subsection 191(7)**

*Election Concerning the Provision of a Residence or Lodging at a Remote Work Site.* Keep the completed election Form GST17 with your books and records during the entire period it is in effect and for six years after it ceases to have effect.

#### **Section 211**

*Election or Revocation of an Election by a Public Service Body to Have an Exempt Supply of Real Property Treated as a Taxable Supply.* Send the completed election Form GST26 to your tax services office no later than one month after the end of the reporting period in which the election or revocation becomes effective. You must file a separate election form for each real property to which you want the election to apply.

#### **Section 225.1**

*Election or Revocation of an Election Not To Use the Net Tax Calculation for Charities.* Send the completed election Form GST488 to your tax services office no later than one month after the end of the reporting period in which the election or revocation becomes effective.

#### **Subsections 225.2 (4), (5) and (6)**

*Election Under the Special Attribution Method for Selected Listed Financial Institutions and Notice of Revocation.*

This joint election, between a selected listed financial institution (SLFI) and a person other than an SLFI, who are closely related and have made an election under section 150, allows the SLFI to use a cost-based method of determining the value of certain supplies received from the non-SLFI, for purposes of the SLFI's net tax calculation under the HST. File this completed election Form GST497 with your tax services office no later than the due date of the GST/HST return for the reporting period in which the election is to become effective. Please note that CRA has the discretion to allow late-filed elections.

#### **Section 227**

*Election and Revocation of an Election to use the Quick Method of Accounting.* Send the completed election Form GST74 to your tax services office. Please refer to the booklet RC4058, *Quick Method of Accounting for GST/HST*, for more information.

#### **Subsection 227(1)**

*Election or Revocation of the Election by Public Service Bodies to Use the Special Quick Method of Accounting.*

Send the completed election Form GST287 to your tax services office. Please refer to the booklet RC4247, *The Special Quick Method of Accounting for Public Service Bodies*, for more information.



## Section 233

*Election to Use the Actual Part of a Patronage Dividend that is Attributable to Taxable Supplies (Other than Zero-Rated Supplies) for Purposes of Consideration and GST/HST Adjustments.* The subsection 233(2) election applies primarily to co-operatives, although it is not limited to such organizations. It permits patronage dividend payers to elect to not treat the dividends as a reduction of consideration. This election overrides the general rule to apportion the calculation of the consideration and GST/HST adjustments when paying a dividend to particular members (e.g., of a co-operative) in any given fiscal period. There is no form required to be completed for this election.

Otherwise, a co-operative can elect not to treat patronage dividends as reductions to the sale price. By choosing the subsection 233(3) *Election Not to Use Patronage Dividends for Purposes of Consideration and GST/HST Adjustments* neither the co-operative nor its members have to adjust their net GST/HST and the combined net tax liabilities of both the co-operative and its members are unaffected. There is no form required to be completed for this election.

## Subsection 236.4

*Election to Adjust Net Tax for the Self-supply of a Residential Complex.* This election allows a builder of a residential complex or an addition to a multiple unit residential complex to elect to adjust its net tax where the builder did not report and account for an amount of GST/HST in respect of a self-supply of the complex or addition on or before February 26, 2008, (i.e., the builder acted as though the self-supply rule did not apply). The builder must file the election for a reporting period that ends on or before February 26, 2010 using election Form GST119. This election cannot be revoked. Please refer to GST/HST Info Sheet GI-045, *Residential Care Facilities and Proposed Changes in the 2008 Budget*, for more information.

## Section 244

*Election or Revocation of an Election to Change a GST/HST Fiscal Year.* To change your fiscal year, call the CRA at 1-800-959-5525 or send completed Form GST70 to your tax services office. If you selected an incorrect fiscal year when you became a GST/HST registrant, do not use this form. Instead, call us at 1-800-959-5525. Please refer to guide RC4022, *General Information for GST/HST Registrants*, for more information.

## Sections 246, 247 and 248

*Election for GST/HST Reporting Period.* To change your reporting period call the CRA at 1-800-959-5525 or send completed Form GST20 to your tax services office. Please refer to guide RC4022, *General Information for GST/HST Registrants*, for more information.

## Subsection 261.31(3)

*Election by segregated fund and insurer.* An insurer and a segregated fund of the insurer that is not a selected listed financial institution may jointly elect, in prescribed form containing prescribed information, to have the insurer pay to, or credit in favour of the fund, the amount of any rebates payable to the fund in respect of supplies of specified services made by the insurer to the fund. To file for this election use "Reason code 14" on Form GST189, *General Application for Rebate of GST/HST*, and follow the directions on this form.

## Subsection 273(1)

*Election or Revocation of an Election to Have the Joint Venture Operator Account for GST/HST.* This form must be completed for each co-venturer that wishes to jointly elect with you. Both the operator and the co-venturer have to sign this form. The operator and the co-venturer have to keep the completed election Form GST21 or a statement of prescribed information with their books and records. Alternatively, an operator may complete *Streamlined Election or Revocation of an Election to Have the Joint Venture Operator Account for GST/HST*



on behalf of the co-venturers if the operator has written authorization from them to do so. The operator and co-venturers must keep a copy of completed Form GST355 with their books and records.

#### **Schedule V, Part I, paragraphs 9(2)(b) and 9(2)(f)**

*Real Property – Election to Make Certain Sales Taxable.* For an election under paragraph 9(2)(b), file a copy of the completed election Form GST22 with your tax services office before the sale is completed. For an election under paragraph 9(2)(f), file a copy of the completed election Form GST22 with your GST/HST return for the reporting period that includes the day of the sale of the real property back to the person you purchased it from. This election cannot be revoked. Please refer to GST/HST Memorandum 19.4.1, *Commercial Real Property - Sales and Rentals*, for more information.

#### **Schedule V, Part III, sections 6 and 8**

*Educational Services: Election and Revocation of the Election to Make Certain Supplies Taxable.* A copy of the completed election Form GST29 or a statement of prescribed information must be kept with your books and records.

#### **Schedule V, Part VI, section 17**

*Election by a Public Sector Body to Have Its Exempt Memberships Treated as Taxable Supplies.* A copy of the completed election Form GST23 or a statement of prescribed information must be kept with your books and records.

#### **Schedule V, Part VI, section 18**

*Election to Tax Professional Memberships.* A copy of the completed election Form GST24 or a statement of prescribed information must be kept with your books and records.

#### **Specially designed medical and assistive devices**

The Act lists medical and assistive devices that are zero-rated (taxable at 0%) for GST/HST purposes. Recent changes to the Act zero-rate certain additional goods that are specially designed for use by individuals with a disability.

For supplies made after February 26, 2008 the Act zero-rates the supply of a chair, walker, wheelchair lift or similar aid to locomotion, with or without wheels, including motive power and wheel assemblies if the good is specially designed to be operated by an individual with a disability for locomotion of that individual. This may include wheelchairs, wheelchair lifts, lifts designed to move persons with physical disabilities up and down stairs, and electric mobility vehicles, such as scooters and golf carts. In all cases, the goods must have features, qualities and capabilities that are specially designed for the locomotion of an individual with a disability and designed so that the individual with the disability can operate the goods independently.

In addition, the Act zero-rates the supply made after February 26, 2008 of a commode chair that is specially designed for use by an individual with a disability.

Finally, the supply after February 26, 2008 of a chair that is specially designed for use by an individual with a disability will be zero-rated if the chair is supplied on the written order of a physician for use by a consumer named in the order. These chairs do not have to be designed as an aid to locomotion nor designed to be operated independently by the individual with a disability. Such chairs may include convalescent or positioning chairs that are specially designed for use by an individual with a disability.

Please note that the supply of a general purpose chair that may be of assistance to an individual with a disability but that does not have special design features, qualities and capabilities that address the particular needs of an individual with a disability will not be zero-rated under the Act.

Should you require clarification with respect to the above, please contact GST/HST Rulings at 1-800-959-8287.

### **Pesticides**

A pesticide is any product that is used as a means for directly or indirectly controlling, preventing, destroying, mitigating, attracting, or repelling any pest. Pesticides include herbicides, insecticides, fungicides, disinfectants and rodenticides.

The supply of a pesticide is zero-rated if the pesticide is labelled in accordance with the *Pest Control Products Regulations* under the *Pest Control Products Act* as having a purpose that includes agricultural use and a product classification other than "Domestic". With respect to the phrase "that includes agricultural use", the term "agricultural" is not defined for GST/HST purposes. However, the CRA considers that the common meaning of "agriculture" includes horticulture.

As well, pesticides may be labelled as having a purpose that includes more than one use. Provided one of the uses is considered to be agricultural use, the supply of the pesticide will be zero-rated.

In general, supplies of all pesticides are taxable at 5% and 13% unless they meet the above requirements. The tax status of the supply of a pesticide does not depend on the volume purchased, alternative uses, or the actual use by the purchaser.

For more information please refer to GST/HST Info Sheet GI-048, *Fertilizer and Pesticides*.

### **GST and the Ontario Destination Marketing Fee**

For GST/HST purposes, short-term accommodation (called "transient" accommodation in Ontario) is lodging for a period of less than a month in hotels, motels, tourist homes, lodging houses, or similar establishments. In Ontario, a number of these establishments charge a Destination Marketing Fee (DMF) to fund promotional campaigns to boost their municipality's tourism trade. DMFs are currently imposed in certain Ontario jurisdictions including Toronto, Kingston, Ottawa and Niagara Falls. The DMF is levied by suppliers of short-term accommodation and certain travel-related supplies including food and beverages for immediate consumption. Other vendors are not to charge a DMF.

It has come to our attention that the application of the GST and the Ontario retail sales tax to supplies of short-term accommodation may be misapplied in situations where the DMF is levied.

GST is calculated on the consideration for the supply of short term accommodation including the DMF. However, GST will not apply on the Ontario retail sales tax amount calculated on the consideration. Please note that there is an exemption from the GST for supplies of short-term accommodation, where the consideration for the supply including the DMF does not exceed \$20 a day.

There is currently a temporary exemption from Ontario retail sales tax for the DMF amount charged on supplies of short-term accommodation where certain conditions are met. For further information please contact the Ontario Ministry of Revenue at [www.rev.gov.on.ca](http://www.rev.gov.on.ca)

### **Long distance roaming calls**

Cellular service providers often enter into agreements to allow their subscribers to use their cell phones to make or receive calls while in another provider's service area. Generally, these calls are referred to as roaming calls.



When a subscriber makes a long distance roaming call, the subscriber's provider has to buy, from the other service provider, the airtime and long distance services necessary to supply the long distance roaming call to the subscriber. When the subscriber's plan does not include long distance roaming calls, the subscriber's provider usually bills the subscriber on a pay-per-use basis for the services purchased from the other service provider. Typically, these amounts are shown as separate items on the subscriber's monthly invoice or statement.

The CRA's position is that the subscriber's provider buys the airtime and long distance services from the other service provider for use in supplying a single long distance roaming call to the subscriber. Consequently, a long distance roaming call is considered to be made in Canada, and therefore subject to GST/HST, where the call is:

emitted **and** received in Canada; or

emitted **or** received in Canada **and** the billing location for the call is in Canada.

#### Example

A person subscribes to a cellular service plan. The billing location for the cell phone is Ontario. The person takes their cell phone to Boston, Massachusetts, and makes a long distance roaming call to Thunder Bay, Ontario. The person's cellular service provider bills airtime and long distance charges for the long distance roaming call. The long distance roaming call is considered to be made in Canada because the call is received in Canada and the billing location is in Canada. The person's provider must charge and account for GST on both the airtime and long distance charges billed for the single supply of the long distance roaming call.

Where a call is made in Canada, the cellular service provider must also determine whether the call is made in a particular province. If the call is made in a participating province (i.e., Nova Scotia, New Brunswick or Newfoundland and Labrador) then the call is subject to HST. If the call is made in a non-participating province then the call is subject to GST.

A call is considered to be made in a particular province where the call is:

emitted **and** received in that province;

emitted **or** received in that province **and** the billing location for the call is in that province; or

emitted in that province **and** received outside that province **and** the billing location for the service is not in a province in which the call is emitted or received.

#### Example

A person subscribes to a cellular service plan. The billing location for the cell phone is New Brunswick. The person takes their cell phone to Toronto, Ontario, and makes a long distance roaming call to Fredericton, New Brunswick. The person's cellular service provider bills airtime and long distance charges for the long distance roaming call. The long distance roaming call is considered to be made in New Brunswick because the call is received in New Brunswick and the billing location is in New Brunswick. The person's provider must charge and account for HST on both the airtime and long distance charges billed for the single supply of the long distance roaming call.

More information on the billing location for cell phones can be found in the article *Ordinary location of mobile phones* in the Summer 2006 edition (No. 61) of the *Excise and GST/HST News*.

#### Changes to the rates and the method of calculating excise duty on certain tobacco products

The *Budget Implementation Act, 2008* implements a number of amendments to the *Excise Act, 2001* which became effective July 1, 2008. Specifically, there is a change to the manner in which duty and special duty are applied to manufactured tobacco and tobacco products (other than cigarettes and tobacco sticks) packaged after June 30, 2008, **except** for exported tobacco products (unstamped), other than cigarettes or tobacco sticks not exceeding the legislated threshold.



The revised duty and special duty rates for manufactured tobacco and tobacco products (other than cigarettes and tobacco sticks) can be found in Excise Duty Notice EDN21, *Enhancements to Tobacco Compliance and Changes to Duty and Special Duty on Certain Tobacco Products*.

An instruction sheet on how to report information on your return or make an application for refund of the excise duties and special duties for manufactured tobacco and tobacco products (other than cigarettes and tobacco sticks) will be included with your return, if applicable.

Please contact your regional excise duty office should you have questions or require additional information regarding the recent amendments to the *Excise Act, 2001*.

### **New Business Number (BN) starts with “7”**

All new businesses registering with the CRA receive a 9-digit Business Number (BN) to identify the business. In the past, all BNs began with the numbers “1” or “8”.

The CRA will now be issuing BNs for new businesses starting with the number “7” or “8”. If you, your clients, or your customers receive a new BN registration starting with “7”, you can be confident it is a valid CRA number.

Businesses that already have a BN starting with the number “1” or “8” will continue to use their existing BN when communicating with the CRA and will not be affected by the change. When adding additional program accounts (such as GST/HST or payroll deductions) to an existing BN, the 9-digit number at the beginning of the new program account will remain the same.

For more information on registering a new business with the CRA visit [www.cra.gc.ca/bn](http://www.cra.gc.ca/bn).

### **Prescribed rates of interest**

The prescribed annual rate of interest in effect from July 1, 2008 to September 30, 2008 on overdue amounts payable to the Minister is 7%. The prescribed annual rate of interest on amounts owed by the Minister (i.e., rebates or refunds) is 5%. These rates are applicable to income tax, excise tax, the softwood lumber products export charge, GST/HST and the air travellers security charge (ATSC). These rates are also applicable to excise duty (except excise duty on beer).

The prescribed annual rate of interest respecting excise duty on beer, on amounts payable for the indicated period, is set at 5%.

Period	Income Tax, Excise Tax, Softwood Lumber Products Export Charge, GST/HST and ATSC, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)
	Refund Interest	Arrears and Instalment Interest	Arrears Interest
<b>2008</b>			
July 1 – September 30	5%	7%	5%
April 1 – June 30	6%	8%	6%
January 1 – March 31	6%	8%	6%
<b>2007</b>			
October 1 – December 31	7%	9%	7%

## **Penalties**

A failure to file penalty is charged on a return that is filed late with an unremitted or unpaid amount. This penalty is equal to: (a) 1% of the amount overdue on the return, plus (b) one quarter of the amount calculated in (a), times the number of complete months the return was overdue, starting April 1, 2007, to a maximum of 12 months.

For more information on these interest rates and penalties refer to GST/HST Info Sheet GI-024, *Harmonizing the Administrative Provisions Respecting Standardized Accounting*. Prescribed interest rates for previous years are available on the CRA Web site.

## **What's new in publications**

The following is a list of new or revised excise and GST/HST forms and publications.

### **GST/HST forms**

- GST288      *Supplement to Form GST189 and Form GST498*
- RC151      *GST/HST Credit Application for Individuals Who Become Residents of Canada*

### **GST/HST Guides**

- RC4036      *GST/HST Information for the Travel and Convention Industry*
- RC4070      *Guide for Canadian Small Businesses*
- RC4210      *GST/HST Credit (Including related provincial credits and benefits) For the period from July 2008 to June 2009*
- RC4405      *GST/HST Rulings - Experts in GST/HST Legislation*

### **GST/HST memoranda**

- MD-3-1      *Drop Shipments (revised)*

### **GST/HST policy statements**

- PS-184      *Credit Card Expenses and the Registrant's Use of Factors for Claiming Input Tax Credits (revised)*
- PS-237      *The Acceptance of a Due Diligence Defence for a Penalty Imposed Under Subsection 280(1) of the Excise Tax Act for Failure to Remit or Pay an Amount When Required, and for a Penalty Imposed Under Section 280.1 for Failure to File a Return When Required (revised)*

### **GST/HST Info Sheets**

- GI-046      *Foreign Convention and Tour Incentive Program - Hunting and Fishing Packages*
- GI-047      *Taxidermy - Animal, Bird and Fish Mounts*
- GI-048      *Fertilizer and Pesticides*

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at [www.cra.gc.ca/gsthsttech](http://www.cra.gc.ca/gsthsttech).

## Enquiries

For online access to account balances, transactions and more for your GST/HST, softwood lumber products export charge, air travellers security charge as well as excise taxes and duty accounts, visit [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

For general information and to make enquiries regarding your account (except for softwood lumber products export charge accounts), call Business Enquiries at 1-800-959-5525

For enquiries regarding your softwood lumber products export charge account, call 1-800-935-0313

To make enquiries regarding the status of specific GST/HST domestic rebate claims, call 1-800-565-9353

## Forms and publications

To access forms and publications online visit [www.cra.gc.ca/orderforms](http://www.cra.gc.ca/orderforms)

To order forms and publications by telephone call 1-800-959-2221

## Your business is located in Quebec?

Contact Revenu Québec at 1-800-567-4692 or visit their Web site at [www.revenu.gouv.qc.ca](http://www.revenu.gouv.qc.ca)

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), First Nations goods and services tax (FNGST) and First Nations tax (FNT), softwood lumber products export charge, air travellers security charge (ATSC) as well as excise taxes and duties. If you would like to receive a link to each new edition of the *Excise and GST/HST News* as it is published, subscribe to the electronic mailing list.

This publication is provided for information purposes only and does not replace the law, either enacted or proposed. Please note that any commentary in this newsletter regarding proposed measures should not be taken as a statement by the CRA that such measures will in fact be enacted into the law in their current form. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, ON K1A 0L5.



# Excise and GST/HST News

No. 70

Fall 2008

## Table of Contents

Applications under the <i>Excise Tax Act</i> .....	1
Incentive trips .....	4
Hunting and fishing packages, and taxidermy .....	5
Purchases of new housing and the GST/HST transitional rebate .....	5
New eligibility criteria for the new residential rental property rebate .....	6
Sale of goods on or off a reserve to Indians, Indian bands and band-empowered entities .....	6
Individuals claiming a GST/HST exemption .....	7
Prescribed rates of interest .....	7
What's new in publications .....	8
Enquiries .....	9



### Applications under the *Excise Tax Act*

This article is a companion article to *Elections under the Excise Tax Act* published in the previous edition of this newsletter, Excise and GST/HST News, Summer 2008 – No. 69. As mentioned in that article the *Excise Tax Act* (the Act) provides opportunities for registrants to personalize their business activities with the Canada Revenue Agency (CRA) by filing elections. Filing an application is another way for a registrant to personalize its business activities.

Applications are different from elections. Although you need to meet certain criteria to use an election, elections can be in effect without the explicit permission of the CRA. Although you also have to meet certain criteria for applications, the CRA must acknowledge that we have processed and approved your application before you can begin to use the procedure for which you have applied.

The following is a list of possible applications in the order of the provision of the Act to which they relate. All forms are available on the CRA Web site at [www.cra.gc.ca/forms](http://www.cra.gc.ca/forms). In the case of an application for which there is no form, we have provided detailed information to assist you.

### Applications with forms

#### Subsection 129(3)

*Application by a Public Service Body to Have Branches or Divisions Designated as Eligible Small Supplier Divisions*, GST31. Use this form to request that branches or divisions of your organization be designated "small supplier divisions" for purposes of GST/HST. As a small supplier division, the branch or division will be treated as if it were a separate person that is a small supplier. An authorized representative of your head office must complete this form and send it to the head office's tax services office. If your request is approved, we will send you a written confirmation of the designation with its effective date.

**My Business Account:** Check account balances and transactions, view correspondence items, stop mail out of account statements, authorize representatives, and more. Visit [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

**GST/HST NETFILE:** Faster processing and refunds, immediate confirmation of receipt, and no postal costs. Visit [www.cra.gc.ca/gsthst-netfile](http://www.cra.gc.ca/gsthst-netfile).

La version française de la présente publication est intitulée *Nouvelles sur l'accise et la TPS/TVH*.

### **Subsection 130(1)**

*Application to Deem One Unincorporated Organization to be a Branch of Another Unincorporated Organization*, GST32. When an unincorporated organization is a member of another unincorporated organization, they can jointly apply to the CRA to have the member organization considered to be a branch of the other organization and not to be a separate person for GST/HST purposes. Where this application is approved in writing by the CRA, GST/HST does not apply on transfers of property or services between the two organizations. The completed application form must be sent to the CRA tax services office serving the main organization.

### **Subsections 141.02(18) and (20)**

*Application, Renewal or Revocation of the Authorization for a Qualifying Institution to Use Particular Methods*, GST116. This application allows a financial institution which is a qualifying institution to request authorization under proposed subsections 141.02 (18) and (20) to use particular methods to determine the operative extent and the procurative extent of each input for a particular fiscal year beginning after March 2008. Also use this application to renew or revoke an authorization previously granted under proposed subsection 141.02(20). The application is for the legal entity. Branches or divisions should not submit their own applications. Send the completed form to the Assistant Director of Audit of the tax services office serving your head office. For more information see GST/HST Technical Information Bulletins B-097, *Determining Whether a Financial Institution is a Qualifying Institution for Purposes of Section 141.02* or B-098, *Application of Section 141.02 to Financial Institutions that are Qualifying Institutions* and Notice 236, *Draft GST/HST Technical Information Bulletin, Input Tax Credit Allocation Methods for Financial Institutions for Purposes of Section 141.02 of the Excise Tax Act – For Discussion Purposes Only*.

### **Subsection 228(7) and the Offset of Taxes (GST/HST) Regulations**

*Application to Offset Taxes by Refunds or Rebates*, GST303. This application allows members of a group of closely related corporations to apply to reduce or offset an amount of GST/HST remittable or payable by one member of the group by the amount of any GST/HST rebate or refund to which another member is entitled to claim. The closely related group making this application has to designate one of its members as the coordinator. The form has two parts. GST303A has to be completed by the coordinator. GST303B has to be completed by each other member of the closely related group making this application. Members of the closely related group making this application can only offset or reduce the tax owing beginning with the reporting period in which they receive our acknowledgment of this application. The coordinator must send the form and any other related documents to the coordinator's taxation centre.

### **Sections 239 and 259**

*Application or Revocation of the Authorization to File Separate GST/HST Returns and Rebate Applications for Branches or Divisions*, GST10. Use this form if you are a GST/HST registrant and you want to file separate GST/HST returns for your branches or divisions. You may also use this form if you are a public service body which is entitled to rebates and you want to file separate rebate applications for your branch(es) or division(s). Once the CRA authorizes you to file separate GST/HST returns and rebate applications, your authorization will be in effect until the CRA revokes it in writing. This form (and attachments) must be completed by your head office and sent to your head office's tax services office.

### **Subsection 273.1(8)**

*Authorization to Use an Export Distribution Centre Certificate*, GST528. Use this form to apply for a new authorization, or to renew or revoke an existing authorization to use an Export Distribution Centre Certificate. An Export Distribution Centre Certificate allows businesses that provide limited value-added in the course of processing goods to acquire or import, without paying GST/HST, domestic inventory, added property, and customers' goods. For more information, see Technical Information Bulletin B-088, *Export Distribution Centre Program*. You must apply to renew your authorization at least three months before the expiry date of your existing authorization. This form must be completed by your head office and sent to your tax services office.



## ***Applications that do not have forms***

### **Subsections 178.2(1) and (2)**

*Application to use the Alternate Collection Method and Joint Application to use the Alternate Collection Method.* A direct seller who is a registrant may apply in writing to the CRA for approval to use the Alternate Collection Method (ACM). A direct seller may also jointly apply with its distributors to have the ACM rules apply at the distributor's level.

A request to use the ACM must be in writing and should include all of the following information:

- (a) identification of direct seller (and distributor(s), if a joint application) including its Business Number;
- (b) the starting date to use the ACM;
- (c) a statement that the direct seller sells exclusive products through independent sales contractors to consumers (i.e., individuals, businesses, or organizations that do not intend to resell the exclusive products);
- (d) a statement that contractors
  - are not agents or employees of the direct seller or distributor(s),
  - do not solicit, negotiate or enter into contracts for the sale of exclusive products of the direct seller to consumers primarily (more than 50%) at a fixed place of business (other than a private residence), and
  - have a contractual right to purchase exclusive products from the direct seller or distributor(s) for sale to other contractors or consumers;
- (e) a statement that the direct seller is aware that the approval to use the ACM may be revoked if the direct seller or distributor(s) fails to comply with all GST/HST provisions;
- (f) a statement that certifies that the information given in the application, and any document attached, is true, correct, and complete to the best of the applicant's (or applicants') knowledge; and
- (g) the signature(s) of person(s) authorized to sign on behalf of the direct seller or distributor(s).

The CRA will notify the direct seller and distributor(s) in writing when an application is approved and will confirm the date the approval takes effect. Applications to request approval to use the ACM must be sent to the applicant's tax services office to the attention of the Assistant Director, Audit Division. For more detailed information see *Excise and GST/HST News*, Winter 2007 – No. 63.

### **Section 181.3**

*Application for Designation of a Barter Exchange Network.* The administrator of a barter exchange network may apply to the CRA to designate the barter exchange network for GST/HST purposes. A letter applying for designation is required, signed by the administrator (or an authorized individual), and must contain the following information:

- (a) the name of the barter exchange network;
- (b) the name, address, telephone number, trading name and CRA Business Number of the administrator of the barter exchange network;
- (c) the effective date requested (cannot be earlier than the later of the date of establishment of the barter exchange network and October 20, 2000);
- (d) a copy of the standard membership agreement of the barter exchange network describing the responsibilities of the members and the administrator;
- (e) a statement from the applicant stating that it meets the definition of "administrator" of a barter exchange network in subsection 181.3(1); and
- (f) a statement from the applicant that certifies that the information given in the application, and any document attached, is true, correct and complete, signed by the administrator or an individual authorized to sign on behalf of the administrator.



Administrators should submit their requests for designation to: Director, Public Service Bodies and Governments, Excise and GST/HST Rulings Directorate, Legislative Policy and Regulatory Affairs Branch, Canada Revenue Agency, 14<sup>th</sup> Floor, Place de Ville, Tower A, 320 Queen Street, Ottawa, Ontario K1A 0L5.

The CRA shall notify the administrator in writing of the designation and its effective date. For more information please see *Excise and GST/HST News*, Fall 2003 - No. 50.

### **Subsection 238.1(2)**

#### *Application for Designation to Temporarily Cease Filing GST/HST returns*

If you have tax collected, collectible, or other amounts that must be added to your net tax of \$1,000 or less in a particular reporting period, you may be eligible to apply to have that reporting period designated for purposes of not having to file a GST/HST return. Upon approval, you may then temporarily cease filing for that and all other requested designated reporting periods, provided you continue to meet the eligibility criteria. Registrants will occasionally find themselves in a position where they will have little or no tax collected/collectible, but may have input tax credits (ITCs) to claim. If you have applied to have designated reporting periods, you can accumulate your ITCs until such time as you resume regular filing of GST/HST returns or when a return must be filed because the cumulative tax collected/collectible has exceeded \$1,000 for the reporting period. Apply in writing to your tax services office providing you have met the following criteria:

- (a) you expect that the amount of GST/HST you will charge and other amounts that you must add to your net tax in a reporting period will be \$1,000 or less;
- (b) you have met all your payment, remittance and filing obligations with the CRA; and
- (c) you did not revoke a designation for reporting periods in the current fiscal year.

You cannot temporarily stop filing GST/HST returns if you are an annual filer or a branch or division of a registrant, unless the registrant as a whole applies for designated reporting periods. For more information see the guide RC4022, *General Information for GST/HST Registrants*.

### **Incentive trips**

Under the Foreign Convention and Tour Incentive Program (FCTIP), a non-resident may claim a rebate in respect of the GST/HST paid on certain purchases made in connection with a foreign convention and on eligible tour packages. Usually, incentive trips that include business meetings would not be eligible for a FCTIP rebate. Registrant suppliers cannot pay or credit a rebate amount to a non-resident if the non-resident would not be eligible for a rebate.

An incentive trip that includes business meetings is usually not a convention. The definition of “convention” excludes a meeting or an assembly the principal purpose of which is to transact the business of the convenor or attendees. Therefore, incentive trips which have business meetings as their principal purpose would not qualify for a rebate for foreign conventions.

In addition, an incentive trip that is a single supply and that includes business meetings would not be an eligible tour package. As the purpose of the trip is to conduct or attend business meetings, it is not a tour package for GST/HST purposes and consequently, it cannot be an eligible tour package. For more information on eligible tour packages, see Info Sheet GI-044, *Foreign Convention and Tour Incentive Program – Tour Packages: What Is an Eligible Tour Package*.

It is always a question of fact whether any particular event or package would be a foreign convention or a tour package. If you are unsure as to whether an event or a package would qualify for a FCTIP rebate, please contact any GST/HST Rulings Centre.

## Hunting and fishing packages, and taxidermy

Canadian outfitters selling hunting and fishing packages may want to inform their non-resident clients that they may qualify for a GST/HST rebate under the Foreign Convention and Tour Incentive Program (FCTIP). Non-resident hunters and anglers may qualify for this rebate if the hunting or fishing package they purchased is an eligible tour package.

An eligible tour package is a tour package that is sold for an all-inclusive price and that includes:

- short-term and/or camping accommodation in Canada; and
- at least one service.

To determine if a hunting or fishing package is an eligible tour package, each element of the package has to be examined. For example, an eligible tour package could be a hunting package sold for an all-inclusive price that includes short-term accommodation in a hunting camp in Canada, meals, and the services of a guide. The guide accompanies the hunters on their expedition, assists them in tracking game, and helps them get the game back to camp.

Other examples of services that may be included in hunting and fishing packages include:

- transportation services such as transportation by floatplane to and from the accommodation;
- game processing that may include skinning, cutting, wrapping, and packaging;
- fish processing that may include scaling, cutting, wrapping, and packaging.

Hunting or fishing packages may also include other elements that are not services. For example, housekeeping, baggage handling, and setting stands and baiting sites are not services. As well, fish cleaning when provided alone is not a service. Other elements, such as hunting and fishing licences, tags, and seals cannot form part of an eligible tour package as they are sold by a government. Their costs cannot be included in the price of a package when calculating any rebate amount.

As it may sometimes be difficult to determine whether an element of a hunting or fishing package is property, a service, or something else, the CRA has published GST/HST Info Sheet GI-046, *Foreign Convention and Tour Incentive Program - Hunting and Fishing Packages*. Using examples of property and services usually supplied by outfitters, the info sheet explains when hunting and fishing packages are eligible tour packages. It also provides important information for outfitters that pay or credit the rebate amount at the point of sale.

After a successful hunting or fishing expedition, non-resident hunters and anglers may purchase property and services from a taxidermist. GST/HST Info Sheet GI-047, *Taxidermy - Animal, Bird and Fish Mounts* explains how the GST/HST applies to property and services provided by taxidermists.

## Purchases of new housing and the GST/HST transitional rebate

In keeping with the January 1, 2008 GST/HST rate reduction, home-buyers may be eligible for the 2008 GST/HST transitional rebate if they entered into an agreement to purchase new housing after May 2, 2006 and before October 31, 2007, where ownership and possession were transferred after December 31, 2007. In some circumstances, both the 2006 and 2008 transitional rebates may be available.

Generally, the GST/HST transitional rebate is available to a purchaser of new housing to account for the reduction in the GST/HST rate. In certain circumstances, where tax was paid at the rate of 6% or 14%, a 2008 GST/HST transitional rebate may be available to a purchaser to account for the 2008 rate reduction. The 2008 transitional rebate is available if you take ownership and possession of your new house after December 31, 2007,



you paid GST/HST at the rate of 6% or 14%, and you entered into the agreement of purchase and sale after May 2, 2006, and before October 31, 2007. Both the 2006 transitional rebate and the 2008 transitional rebate are available if you take ownership and possession of your new house after December 31, 2007, you paid GST/HST at the rate of 7% or 15% and you entered into the agreement of purchase and sale before May 3, 2006.

Any person, including an individual, a non-profit organization or a corporation, who purchases new housing in Canada, may be eligible to claim a GST/HST transitional rebate. If you are entitled to claim a transitional rebate, a builder cannot pay or credit an amount to you for this rebate. You have to send an application for the transitional rebate directly to the CRA and we will pay the rebate amount to you. To apply for the rebate, the purchaser must complete form GST193, *GST/HST Transitional Rebate Application for Purchasers of New Housing*, and file it with the CRA within two years after the day ownership of the house is transferred to you.

GST/HST Info Sheet GI-043, *The 2008 GST/HST Rate Reduction and Purchases of New Housing* provides more detailed information.

### **New eligibility criteria for the new residential rental property rebate**

On June 18, 2008, Bill C-50 the *Budget Implementation Act, 2008* received Royal Assent and is now law (referred to as Statutes of Canada, 2008, c.28). As a result, the legislative changes affecting residential care facilities extend eligibility for the new residential rental property rebate (NRRP rebate) to builder-operators and purchasers of long-term residential care facilities such as nursing homes, and ensure that subsequent sales of such facilities are GST/HST exempt.

The new rules affect the conditions for claiming an NRRP rebate for long-term residential care facilities, head lease payments, and self-assessment rules for builder-operators of such facilities. Prior to February 27, 2008, builder-operators and purchasers of residential care facilities could only claim an NRRP rebate if the supply made to residents of the facility was that of residential units (i.e., long-term residential rentals). Under the new rules, builder-operators and purchasers of residential care facilities will be eligible to claim an NRRP rebate where they are supplying their residents with nursing and/or personal care services that include a residential unit, provided that all of the other conditions for claiming the rebate are met. Operators who filed NRRP rebate applications that were denied under the old rules may file a second rebate application on or before February 26, 2010, if they are now eligible under these amendments.

Under the new rules, builder-operators of residential care facilities who meet the new legislative requirements for claiming the NRRP rebate, but have not self-assessed tax on the facility on or before February 26, 2008, may be eligible to make an election to adjust their net tax and claim the rebate. To be eligible to make the election, a builder-operator must be eligible to claim the NRRP rebate and must not have sold the facility. The election can be made to adjust the net tax of a reporting period that ends on or before February 26, 2010.

More information is also available in GST/HST Info Sheet GI-045, *Residential Care Facilities and Proposed Changes in the 2008 Budget*.

### **Sale of goods on or off a reserve to Indians, Indian bands and band-empowered entities**

GST/HST Technical Information Bulletin B-039, *GST/HST Administrative Policy – Application of the GST/HST to Indians* summarizes the CRA's policy concerning the treatment of goods supplied to Indians, Indian bands and band-empowered entities under the GST/HST.

For vendors selling goods to Indians, Indian bands and unincorporated band-empowered entities, tax relief applies when the goods are sold on or delivered to a reserve by the vendor or vendor's agent and the appropriate



documentation is provided. An incorporated band-empowered entity acquiring the goods for band management activities will also be eligible for tax relief.

For more information regarding the term “reserve” or what settlements are affected by remission orders and are treated as reserves, visit the CRA Web site at [www.cra.gc.ca/aboriginalpeoples](http://www.cra.gc.ca/aboriginalpeoples). Under the information for Aboriginal Peoples, select: *Access to forms and publications that Aboriginal Peoples may need*.

Where a vendor is unsure whether a tract of land qualifies as a reserve they may wish to check the Indian and Northern Affairs Canada Web site at [www.ianc-inac.gc.ca](http://www.ianc-inac.gc.ca) under *Publications and Research: Community Profiles* which lists First Nations and their reserves.

**Note:** There are no special GST/HST provisions for vendors operating on a reserve even if the business is owned by an Indian or a band.

The regular GST/HST registration rules apply and vendors must collect the 5% GST or the 13% HST on all their sales of goods subject to the tax unless the purchases are made by Indian individuals or Indian bands that meet the conditions under B-039. For more information on registering for the GST/HST see RC4022, *General Information for GST/HST Registrants*.

**Individuals claiming a GST/HST exemption**

Vendors should be aware that a number of individuals are claiming exemptions and in some cases are presenting a card not recognized by the CRA in an attempt to avoid paying the GST/HST. Examples of invalid tax exemption cards include: Corporation Sole, Indigo Foundation of the Child, and International Humanity House cards. Such cards do not entitle individuals to exemption from the GST/HST. As well, a bill-of-sale from a previous transaction, showing that no tax was charged, does not lend any validity to a card such as those listed above.

The only individuals who can purchase taxable goods and services without paying the GST/HST are Indians who present a Certificate of Indian Status card that is issued by Indian and Northern Affairs Canada and who receive goods or services on a reserve. Please note however, that citizens of First Nations having a final or self-government agreement ending *Indian Act* tax relief while retaining their Certificate of Indian Status card are no longer entitled to tax relief. This set of circumstances is discussed in GST/HST Notice 238, *First Nations Having a Self-Government Agreement Ending Indian Act Tax Relief – Determining Tax Relief for Indian Members who are not Citizens*. As well, Métis individuals who present their Métis cards are not entitled to tax relief.

Please note that registrant vendors who do not collect the GST/HST from an individual falsely claiming to be exempt from the GST/HST must still remit the tax that should have been collected.

If you have questions about the GST/HST call the Business Enquiries line at 1-800-959-5525. For more information on tax myths visit the CRA Internet site at [www.cra.gc.ca/myths](http://www.cra.gc.ca/myths). For more information about sales to Indians and the GST/HST, please consult GST/HST Technical Information Bulletin B-039, *GST/HST Administrative Policy: Application of GST/HST to Indians*.

**Prescribed rates of interest**

The prescribed annual rate of interest in effect from October 1, 2008 to December 30, 2008 on overdue amounts payable to the Minister is 7%. The prescribed annual rate of interest on amounts owed by the Minister (i.e., rebates or refunds) is 5%. These rates are applicable to income tax, excise tax, the softwood lumber products export charge, GST/HST and the air travellers security charge (ATSC). These rates are also applicable to excise duty (except excise duty on beer).

The prescribed annual rate of interest respecting excise duty on beer, on amounts payable for the indicated period, is set at 5%.

Period	Income Tax, Excise Tax, Softwood Lumber Products Export Charge, GST/HST and ATSC, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)
	Refund Interest	Arrears and Instalment Interest	Arrears Interest
<b>2008</b>			
October 1 – December 31	5%	7%	5%
July 1 – September 30	5%	7%	5%
April 1 – June 30	6%	8%	6%
January 1 – March 31	6%	8%	6%

### **Penalties**

A failure to file penalty is charged on a return that is filed late with an unremitted or unpaid amount. This penalty is equal to: (a) 1% of the amount overdue on the return, plus (b) one quarter of the amount calculated in (a), times the number of complete months the return was overdue, starting April 1, 2007, to a maximum of 12 months.

For more information on these interest rates and penalties see GST/HST Info Sheet GI-024, *Harmonizing the Administrative Provisions Respecting Standardized Accounting*. Prescribed interest rates for previous years are available on the CRA Web site.

### **What's new in publications**

The following is a list of new or revised excise and GST/HST forms and publications.

#### **GST/HST forms**

GST370 *Employee and Partner GST/HST Rebate Application*

#### **GST/HST info sheets**

GI-044 *Foreign Convention and Tour Incentive Program – Tour Packages: What Is an Eligible Tour Package*

#### **GST/HST notices**

Notice143 *Application of GST/HST to Yukon First Nations and their Members*

Notice236 *Draft GST/HST Technical Information Bulletin on the ITC Allocation Methods for Financial Institutions – For Discussion Purposes Only*

Notice237 *Implementation of the Nisga'a First Nations Goods and Services Tax (FNGST)*

Notice 238 *First Nations Having a Self-Government Agreement Ending Indian Act Tax Relief – Determining Tax Relief for Indian Members who are not Citizens*

#### **Excise duty notices**

EDN22 *Excise Duty Returns and Refunds – Additional Instructions*

#### **Excise duty forms**

B268 *Notification of Fiscal Months*

B269	<i>Application or Revocation of the Authorization to File Separate Excise Duty Returns and Refund Applications for Branches or Divisions</i>
E110	<i>Description of Premises to Accompany Application for Licence</i>
E111	<i>Description for Vessels and Utensils</i>
E146	<i>Amended Plans and Specifications</i>
L1	<i>Application for Excise Duty Licence / Notice of Change of Name or Location</i>

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at [www.cra.gc.ca/gsthstech](http://www.cra.gc.ca/gsthstech).

## Enquiries

**For online access to account balances, transactions and more** for your GST/HST, softwood lumber products export charge, air travellers security charge as well as excise taxes and duty accounts, visit [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

**For general information and to make enquiries regarding your account** (except for softwood lumber products export charge accounts), call Business Enquiries at 1-800-959-5525.

**For enquiries regarding your softwood lumber products export charge account**, call 1-800-935-0313.

**To make enquiries regarding the status of specific GST/HST domestic rebate claims**, call 1-800-565-9353.

## Forms and publications

To access forms and publications online visit [www.cra.gc.ca/orderforms](http://www.cra.gc.ca/orderforms).

To order forms and publications by telephone call 1-800-959-2221.

## Are you a GST/HST registrant located in Quebec?

To make an enquiry or obtain information on the GST/HST, contact Revenu Québec at 1-800-567-4692 or visit their Web site at [www.revenu.gouv.qc.ca](http://www.revenu.gouv.qc.ca).

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), First Nations goods and services tax (FNGST) and First Nations tax (FNT), softwood lumber products export charge, air travellers security charge (ATSC) as well as excise taxes and duties. If you would like to receive a link to each new edition of the *Excise and GST/HST News* as it is published, subscribe to the electronic mailing list.

This publication is provided for information purposes only and does not replace the law, either enacted or proposed. Please note that any commentary in this newsletter regarding proposed measures should not be taken as a statement by the CRA that such measures will in fact be enacted into the law in their current form. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, ON K1A 0L5.





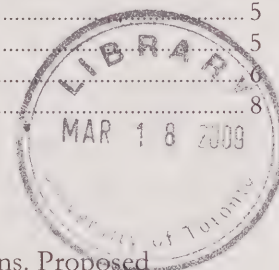
# Excise and GST/HST News

No. 71

Winter 2008-2009

## Table of Contents

Budget 2009 – Simplification of GST/HST accounting for direct sellers .....	1
Application of the GST to the British Columbia carbon tax.....	2
The Tsleil-Waututh Nation and Whitecap Dakota First Nation implement the First Nations goods and service tax .....	2
Reminder: exemption for services by social workers.....	3
Canada's Enhanced Tobacco Stamping Regime.....	4
Keep your business records up to date .....	4
Transfer payments online in My Business Account.....	5
Prescribed rates of interest.....	5
What's new in publications.....	6
Enquiries .....	8



## Budget 2009 – Simplification of GST/HST accounting for direct sellers

On January 27, 2009, the Minister of Finance tabled Budget 2009 in the House of Commons. Proposed measures include those which would simplify the operation of the GST/HST for persons in the direct selling industry (i.e., network sellers) who sell their products directly to consumers through a network of commission-based sales representatives. These proposed measures will apply in respect of fiscal years of a network seller that begin on or after January 1, 2010.

Currently, to simplify the operation of the GST/HST for direct sellers and their contractors, the *Excise Tax Act* (the Act) offers an Alternate Collection Method (ACM) for direct sellers employing the “buy and resell” model. The ACM is not available to those in the direct selling industry employing the “commission-based” model.

These proposed measures would allow commission-based network sellers who meet certain conditions to use a special GST/HST accounting method to simplify GST/HST compliance. Under this method, commissions and bonuses paid by network sellers to their independent sales representatives would not be subject to GST/HST. With the approval of the Canada Revenue Agency (CRA), a network seller may use this proposed method provided that all of the conditions are met and it has jointly elected with all of its sales representatives to use the proposed method.

More detailed information, including the criteria for electing to use this proposed method, can be found in the budget documents at the Department of Finance Canada Web site at [www.fin.gc.ca](http://www.fin.gc.ca) under the headings “Budget Plan”, “Annex 5”, “Sales Tax Measures”.

**My Business Account:** Check account balances and transactions, view correspondence items, stop mail out of account statements, authorize representatives, and more. Visit [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

**GST/HST NETFILE:** Faster processing and refunds, immediate confirmation of receipt, and no postal costs. Visit [www.cra.gc.ca/gsthst-netfile](http://www.cra.gc.ca/gsthst-netfile).

La version française de la présente publication est intitulée *Nouvelles sur l'accise et la TPS/TVH*.



Canada Revenue  
Agency

Agence du revenu  
du Canada

Canada

## Application of the GST to the British Columbia carbon tax

The British Columbia (B.C.) carbon tax, which came into effect July 1, 2008, is a levy imposed under the *Carbon Tax Act* of British Columbia. It applies to purchases (in B.C.) of fuels such as gasoline, diesel, natural gas, heating fuel, propane and coal. It also applies to peat and tires when used to produce energy or heat. The tax is normally payable by purchasers of such products and collectible by the supplier.

For GST purposes, the consideration for a supply of property or a service includes any provincial levy that is payable by the recipient, or payable or collectible by the supplier, in respect of that supply or in respect of the consumption or use of the property or service, other than a prescribed provincial levy that is payable by the recipient. A provincial levy is a tax, duty or fee imposed under an Act of the legislature of a province in respect of the supply, consumption or use of property or a service. The carbon tax levied by the Province of British Columbia under the *Carbon Tax Act* is considered a provincial levy. Therefore, the carbon tax is subject to GST at a rate of 5%.

The prescribed provincial levies that are excluded are listed in the *Taxes, Duties and Fees (GST/HST) Regulations* that prescribe certain taxes, duties and fees that are not included in the base for purposes of calculating the GST/HST payable on a supply. The carbon tax, under the *Carbon Tax Act*, is not a prescribed levy included in the *Taxes, Duties and Fees (GST/HST) Regulations* and is therefore included in the consideration for the supply of property.

### Example

1. A retailer in B.C. supplies 18 litres of propane. The price per litre (e.g., 86c/L) includes the carbon tax. GST is calculated on this consideration and the total amount for the purchase of propane is \$16.25.

\$15.48	18 litres of propane at 86 cents per litre which includes the carbon tax
\$ .77	5% GST
\$16.25	total

2. A business supplies in B.C. low heat value coal for \$10,000. The carbon tax is included in the purchase price. GST is calculated on this consideration and the total owing for their purchase of low heat value coal is \$10,500.

\$10,000	x# tonnes of low heat value coal
\$ 500	5% GST
\$10,500	total

For a detailed look at the carbon tax please see the British Columbia Small Business and Revenue Web site at: [www.sbr.gov.bc.ca/business/Consumer\\_Taxes/Carbon\\_Tax/carbon\\_tax.htm](http://www.sbr.gov.bc.ca/business/Consumer_Taxes/Carbon_Tax/carbon_tax.htm) A collection of frequently asked questions is also on the Web site: [www.sbr.gov.bc.ca/business/Consumer\\_Taxes/Carbon\\_Tax/faq.htm#8](http://www.sbr.gov.bc.ca/business/Consumer_Taxes/Carbon_Tax/faq.htm#8).

## The Tsleil-Waututh Nation and Whitecap Dakota First Nation implement the First Nations goods and service tax

The First Nations goods and services tax (FNGST) applies to supplies made on the Tsleil-Waututh Nation (Burrard) reserve in British Columbia and the Whitecap Dakota First Nation reserve in Saskatchewan, effective November 27, 2008, and January 2, 2009, respectively. These First Nations signed a tax administration agreement with the Government of Canada and each has passed a law to enact the FNGST.

The Tsleil-Waututh Nation (Burrard) joins seven other B.C. First Nations that have imposed an FNGST. Whitecap Dakota is the first First Nation in Saskatchewan to impose an FNGST. Everyone, including status Indians, pays the FNGST.



Effective January 2, 2009, the Whitecap Dakota First Nation has repealed the by-law imposing the First Nations Tax (FNT) on certain alcoholic beverages, fuel and tobacco products. Vendors will no longer be required to charge FNT as the FNGST has replaced the FNT on the Whitecap Dakota reserve.

As the FNGST is designed to work within the GST/HST framework, no additional forms or changes to registration will be required. Vendors will simply apply the FNGST to their supplies of goods and services in the same manner as the GST/HST.

Note: Special rules exist for leased vehicles under the *First Nations Goods and Services Tax Act*.

The Tsleil-Waututh Nation (Burrard) and the Whitecap Dakota First Nation and their Indian members are still eligible for tax relief on goods and services acquired on a reserve where FNGST or FNT does not apply. However, if the Tsleil-Waututh Nation (Burrard) and the Whitecap Dakota First Nation or their Indian members acquire goods on a tax-relieved basis and bring them onto their respective reserves, they will be liable for FNGST on these goods.

GST/HST Notice239, *The Tsleil-Waututh Nation implements the First Nations Goods and Service Tax (FNGST)* and GST/HST Notice240, *First Nations Goods and Services Tax (FNGST) Imposed by the Whitecap Dakota First Nation* are both available on the CRA Web site. If you require additional information on the FNGST, see RC4365, *First Nations Goods and Services Tax (FNGST)* or contact the CRA at 1-800-959-5525. You can obtain form GST531, *Return for Self-Assessment of the First Nations Goods and Services Tax (FNGST)* from any tax services office or on the CRA Web site as well.

#### **Reminder: exemption for services by social workers**

After October 3, 2003, certain health-related services rendered by social workers became exempt from the GST/HST.

GST/HST-exempt services include those supplied by social workers who are counselling individuals for the prevention or treatment of physical or mental disorders or to assist afflicted individuals or their caregivers in coping with such conditions. The services must be rendered in the practice of the profession of social work to an individual in the course of a professional-client relationship between the social worker and the individual. The person providing the services must be licensed or otherwise certified to practise the profession of social work in the province in which the services are supplied. Alternatively, where the person is not required to be licensed or otherwise certified in that province, the person must have qualifications equivalent to those required for licensing or certification in another province.

This is a reminder that the application for a rebate of the GST/HST paid in error for exempt services must be filed before two years after the day on which the tax was paid.

Alternatively, a supplier may adjust, credit or refund an amount charged as tax for these exempt services before two years after the day on which the tax was charged or collected.

#### **Example**

A social worker collected the GST on the consideration for counselling services provided to a client on June 30, 2007. The client may apply for a rebate of tax paid in error before June 30, 2009 or the social worker may refund the amount charged as tax to the client before that date.

For more information on this topic, please call GST/HST Rulings at 1-800-959-8287.

## **Canada's Enhanced Tobacco Stamping Regime**

In an effort to combat the contraband tobacco market, and to enhance the integrity of the tobacco tax system which supports the Government's health objectives, the CRA is implementing an enhanced excise duty tobacco stamping regime.

A key element of the tobacco stamping regime is the introduction of a new excise duty stamp. The new stamp will contain a number of overt and covert security features much like those found on Canadian currency that will allow authorities to more easily identify legitimate tobacco products and detect counterfeit or contraband products. The CRA contracted with the joint venture of Canadian Bank Note Company and SICPA Product Security SA to design, produce, and distribute the new stamp.

The stamping regime is designed to:

- provide a reliable indication of the duty-paid status of tobacco products;
- make counterfeit products easier to detect by enforcement agencies;
- strengthen controls over the manufacturing and distribution of tobacco stamps; and
- provide an additional enforcement tool for federal and provincial compliance and enforcement authorities.

CRA and the tobacco industry are working towards an early 2010 implementation date. For more information, see the CRA News Release of September 4, 2008, on the CRA Web site at [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca) under the heading for "Media room".

## **Keep your business records up to date**

The CRA would like to remind GST/HST registrants and licensees and registrants for excise duties, taxes and other levies to make sure they maintain and keep complete and organized records. Records are documents or electronic files that contain financial information such as ledgers, journals, financial statements, returns, correspondence, charts, and tables. It is important to keep records created by computerized business systems such as accounting systems, point of sale systems, Internet-based systems, electronic purchasing and restocking systems, and tax return preparation software, as well as traditional paper records.

If your transactions fall under the *Excise Tax Act*, the *Excise Act, 2001*, the *Air Travellers Security Charge Act*, or the *Softwood Lumber Products Export Charge Act, 2006*, you are required to keep complete and organized records as stated in these acts.

For example, if your transactions include any of the following:

- you are engaging in a commercial activity in Canada,
- you are a registrant or licensee under the above mentioned Acts,
- you are required to file any return under the above mentioned Acts,
- you are applying for a rebate or refund (e.g., GST/HST or excise)
- you transport non-duty-paid packaged alcohol or an unstamped tobacco product;

you must keep records of your transactions.

Your records have to provide enough details to determine your tax or duty obligations and entitlements, your records must be supported by original documents and you must keep these records for six years after the end of the year to which they relate. Keep in mind that the CRA is entitled to ask for anything that will help them verify your GST/HST return.

Helpful tips are published at on the CRA Web site under the headings “Business” and “Keeping records” ([www.cra-arc.gc.ca/tx/bsnss/tpcs/kprc/menu-eng.html](http://www.cra-arc.gc.ca/tx/bsnss/tpcs/kprc/menu-eng.html)). The CRA Web site has information on how to organize your files and keep complete records. Please refer to GST/HST guide RC4409, *Keeping Records* for detailed information. You can also call Business Enquiries at 1-800-959-5525.

### Transfer payments online in My Business Account

Recent enhancements to My Business Account provide additional self-service options to help businesses in their dealings with the CRA.

Payments can now be transferred within the same 15-digit account from one interim period to another, or to pay an amount owing. Users with amounts eligible for transfer will select the “Transfer payment” option under “Account balance and activities”, submit and confirm the transfer details, and see the updated account balance and interest amounts immediately. The transfer payment service is available for GST/HST, excise tax, excise duty, excise tax on insurance premiums, softwood lumber products export charge, air travellers security charge, and corporation income tax accounts.

GST/HST registrants now also have the ability to view the status of GST/HST returns filed with the CRA to confirm whether they have been (re) assessed. Also, don’t forget eligible registrants can file a return with an amount owing (debit balance), a nil (zero) balance, or a refund of \$10,000 or less through My Business Account.

To use My Business Account or to find out more, visit [www.cra-arc.gc.ca/mybusinessaccount](http://www.cra-arc.gc.ca/mybusinessaccount).

### Prescribed rates of interest

The prescribed annual rate of interest in effect from January 1, 2009 to March 31, 2009, on overdue amounts payable to the Minister is 6%. The prescribed annual rate of interest on amounts owed by the Minister (i.e., rebates or refunds) is 4%. These rates are applicable to income tax, excise tax, the softwood lumber products export charge, GST/HST and the air travellers security charge (ATSC) and excise duty on wine, spirits and tobacco.

The prescribed annual rate of interest respecting excise duty on beer, on overdue amounts payable for the indicated period, is set at 4%. Refund interest rates are not applicable for amounts owed by the Minister (i.e., rebates or refunds) for excise duty that is in relation to beer.

Period	Income Tax, Excise Tax, Softwood Lumber Products Export Charge, GST/HST and ATSC, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)
	Refund Interest	Arrears and Instalment Interest	Arrears Interest
<b>2009</b>			
January 1 – March 31	4%	6%	4%
<b>2008</b>			
October 1 – December 31	5%	7%	5%
July 1 – September 30	5%	7%	5%
April 1 – June 30	6%	8%	6%

Prescribed interest rates for previous years are available on the CRA Web site at [www.cra.gc.ca/interestrates](http://www.cra.gc.ca/interestrates).



## What's new in publications

The following is a list of new or revised excise and GST/HST forms and publications.

### ***GST/HST forms***

RC59	<i>Business Consent Form</i>
GST10	<i>Application or Revocation of the Authorization to File Separate GST/HST Returns and Rebate Application for Branches or Divisions</i>
GST17	<i>Election Concerning the Provision of a Residence or Lodging at a Remote Work Site</i>
GST20	<i>Election for GST/HST Reporting Period</i>
GST22	<i>Real Property - Election to Make Certain Sales Taxable</i>
GST23	<i>Election by a Public Sector Body to Have Its Exempt Memberships Treated as Taxable Supplies</i>
GST24	<i>Election To Tax Professional Memberships</i>
GST25	<i>Closely Related Corporations and Canadian Partnerships - Election or Revocation of the Election to Treat Certain Taxable Supplies as Having Been Made for Nil Consideration</i>
GST26	<i>Election or Revocation of an Election by a Public Service Body to Have an Exempt Supply of Real Property Treated as a Taxable Supply</i>
GST27	<i>Election or Revocation of an Election to Deem Certain Supplies to be Financial Services</i>
GST29	<i>Educational Services: Election and Revocation of the Election to Make Certain Supplies Taxable</i>
GST31	<i>Application by a Public Service Body to have Branches or Divisions Designated as Eligible Small Supplier Divisions</i>
GST32	<i>Application to Deem One Unincorporated Organization to be a Branch of Another Unincorporated Organization</i>
GST44	<i>Election Concerning the Acquisition of a Business or Part of a Business</i>
GST59	<i>GST/HST Return for Imported Taxable Supplies and Qualifying Consideration</i>
GST70	<i>Election or Revocation of an Election to Change a GST/HST Fiscal Year</i>
GST71	<i>Notification of Accounting Periods</i>
GST74	<i>Election and Revocation of an Election to use the Quick Method of Accounting</i>
GST115	<i>GST/HST Rebate Application for Tour Packages</i>
GST119	<i>GST/HST Election to Adjust Net Tax for the Self-Supply of a Residential Complex</i>
GST177	<i>Refund Application for Non-Resident Travel Organizers</i>
GST190A	<i>GST/HST New Housing Rebate - Appendix A</i>
GST287	<i>Election or Revocation of the Election by Public Service Bodies to Use the Special Quick Method Of Accounting</i>
GST288	<i>Supplement to Forms GST189, GST386, and GST498</i>
GST303	<i>Application to Offset Taxes by Refunds or Rebate</i>
GST322	<i>Certificate of Government Funding</i>
GST352	<i>Application for Clearance Certificate</i>
GST386	<i>Rebate Application for Foreign Conventions</i>
GST488	<i>Election or Revocation of an Election Not To Use the Net Tax Calculation for Charities</i>
GST489	<i>Return for Self-Assessment of the Provincial Part of Harmonized Sales Tax (HST)</i>
GST495	<i>Rebate Application for Provincial Part of Harmonized Sales Tax (HST)</i>
GST497	<i>Election Under the Special Attribution Method for Selected Listed Financial Institutions and Notice of Revocation</i>
GST502	<i>Election and Revocation of Election Between Auctioneer and Principal</i>
GST506	<i>Election and Revocation of an Election Between Agent and Principal</i>
GST507	<i>Third Party Authorization and Cancellation of Authorization for GST/HST Rebates</i>
GST515	<i>Direct Deposit Request for the GST/HST New Housing Rebate</i>
GST518	<i>GST/HST Specially Equipped Motor Vehicle Rebate Application</i>
GST523-1	<i>Non-Profit Organizations - Government Funding</i>
GST524	<i>GST/HST New Residential Rental Property Rebate Application</i>
GST525	<i>Supplement to the New Residential Rental Property Rebate Application - Multiple Units</i>
GST528	<i>Authorization to Use an Export Distribution Centre Certificate</i>
GST532	<i>Agreement and Revocation of an Agreement Between Supplier and Constructive Importer</i>

### ***GST/HST guides***

RC4072	<i>First Nations Tax (FNT)</i>
RC4080	<i>GST/HST Information for Freight Carriers</i>
RC4103	<i>GST/HST Information for Suppliers of Publications</i>
RC4160	<i>Rebate for Tour Packages, Foreign Conventions, and Non-Resident Exhibitor Purchases</i>
RC4231	<i>GST/HST New Residential Rental Property Rebate</i>
RC4365	<i>First Nations Goods and Services Tax (FNGST)</i>
RC4481	<i>My Business Account</i>

### ***GST/HST info sheets***

GI-049	<i>Fishing Equipment and Products</i>
GI-050	<i>Residential Care Facilities and the GST/HST Election to Adjust Net Tax for the Self Supply of a Residential Complex</i>
GI-051	<i>Zero-rated Farm Equipment</i>

### ***GST/HST Memoranda Series***

16-2	<i>Penalties and Interest</i>
16-3	<i>Cancellation or Waiver of Penalties and/or Interest</i>

### ***GST/HST notices***

Notice239	<i>The Tsleil-Waututh Nation Implements the First Nations Goods and Services Tax (FNGST)</i>
Notice240	<i>First Nations Goods and Services Tax (FNGST) Imposed by the Whitecap Dakota First Nation</i>
Notice241	<i>Whether an Application for the First Nations Self-Government Refund May Include the FNGST</i>

### ***GST/HST policy statements***

P-251	<i>Eating Establishments</i>
P-252	<i>Agricultural Equipment Supplied Together with Accessories</i>
P-253	<i>Sharecropping</i>

### ***GST/HST technical information bulletins***

B-091	<i>Application of the GST/HST to Prepaid Funeral Arrangements (revised)</i>
B-093	<i>Application of GST/HST to Interment Rights and Prepaid Cemetery Arrangements (revised)</i>

### ***Softwood lumber products export charge notices***

SWLN8	<i>American Consumption of Softwood Lumber Products Regulations (revised)</i>
SWLN9	<i>Surge Charge - Alberta Region (October 2008)</i>
SWLN10	<i>Surge Charge - Alberta Region (November 2008)</i>
SWLN11	<i>Third Country Adjustment Refund</i>
SWLN12	<i>Third Country Adjustment Refund (October 2007 to March 2008)</i>

### ***Softwood lumber products export charge forms***

B278-1	<i>Softwood Lumber Products Export Charge - Supplementary Information Third Country Adjustment</i>
B278	<i>Softwood Lumber Products Export Charge - Application for Refund</i>

### ***Excise taxes and special levies forms***

XE8	<i>Application for Refund of Federal Excise Tax on Gasoline</i>
-----	---

## ***Excise taxes and special levies notices***

ETSL70      *Notice to all Producers of Renewable Fuels*

## ***Excise taxes and special levies memoranda***

X7-1      *Special Levies – Insurance Premiums*

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at [www.cra.gc.ca/gsthstech](http://www.cra.gc.ca/gsthstech).

## **Enquiries**

**For online access to account balances, transactions and more** for your GST/HST, softwood lumber products export charge, air travellers security charge as well as excise taxes and duty accounts, visit [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

**For general information and to make enquiries regarding your account** (except for softwood lumber products export charge accounts), call Business Enquiries at 1-800-959-5525.

**For enquiries regarding your softwood lumber products export charge account**, call 1-800-935-0313.

**To make enquiries regarding the status of specific GST/HST domestic rebate claims**, call 1-800-565-9353.

**For GST/HST technical enquiries** call GST/HST Rulings at 1-800-959-8287.

## **Forms and publications**

To access forms and publications online visit [www.cra.gc.ca/orderforms](http://www.cra.gc.ca/orderforms).

To order forms and publications by telephone call 1-800-959-2221.

## **Are you a GST/HST registrant located in Quebec?**

To make an enquiry or obtain information on the GST/HST, contact Revenu Québec at 1-800-567-4692 or visit their Web site at [www.revenu.gouv.qc.ca](http://www.revenu.gouv.qc.ca).

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), First Nations goods and services tax (FNGST) and First Nations tax (FNT), softwood lumber products export charge, air travellers security charge (ATSC) as well as excise taxes and duties. If you would like to receive a link to each new edition of the *Excise and GST/HST News* as it is published, subscribe to the electronic mailing list.

This publication is provided for information purposes only and does not replace the law, either enacted or proposed. Please note that any commentary in this newsletter regarding proposed measures should not be taken as a statement by the CRA that such measures will in fact be enacted into the law in their current form. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, ON K1A 0L5.



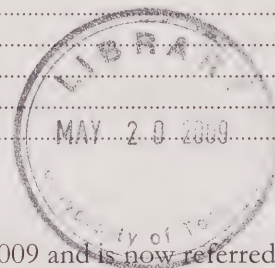
# Excise and GST/HST News

No. 72

Spring 2009

## Table of Contents

Bill C-10 receives Royal Assent .....	1
Residential care facilities and the election to adjust net tax for the self-supply of a residential complex. ....	1
Tsawwassen First Nation <i>Final Agreement Act</i> comes into effect.....	3
Reminder – tourism industry .....	3
Prescribed rates of interest.....	4
What's new in publications.....	4
Enquiries .....	6



### Bill C-10 receives Royal Assent

Bill C-10, the *Budget Implementation Act, 2009*, received Royal Assent on March 12, 2009 and is now referred to as Statutes of Canada, 2009, c. 2.

This Act includes amendments to the *Excise Act, 2001* and the *Excise Tax Act* to implement measures to facilitate greater use of the CRA's Business Number (BN) by other levels of government (BN Partners). Effective March 12, 2009, the CRA will be broadening the BN-related information that may be shared with BN partners, expanding the type of government entities that qualify as BN Partners, and allowing these partners to use the BN in connection with programs and services they provide. By doing so, the CRA aims to simultaneously reduce the burden of paper work and duplication of effort for businesses and government alike.

However, this legislation does not include the proposed measures (previously announced in *Budget 2009*), which would simplify the operation of the GST/HST for persons in the direct selling industry (i.e., network sellers) who sell their products directly to consumers through a network of commission-based sales representatives. A summary of these measures is provided in the Winter 2008-2009 edition of the *Excise and GST/HST News*, No. 71. The government plans to include these measures in subsequent legislation.

### Residential care facilities and the election to adjust net tax for the self-supply of a residential complex

The election to adjust net tax for the self-supply of a residential complex allows a builder-operator of a residential care facility to adjust its net tax where the builder-operator did not account for an amount of GST/HST in respect of a self-supply of a residential complex or addition on or before February 26, 2008. A builder-operator may want to file this election, for example, to claim input tax credits (ITCs) and a new residential rental property rebate that may not have been available previously, or to make a future sale of the residential complex exempt from GST/HST.

### What is a residential care facility?

The CRA considers a "residential care facility" to include any facility at which an individual intends to reside for an indefinite period and at which the individual receives additional property and services together with a room or

**My Business Account:** Check account balances and transactions, view correspondence items, stop mail out of account statements, authorize representatives, and more. Visit [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

**GST/HST NETFILE:** Faster processing and refunds, immediate confirmation of receipt, and no postal costs. Visit [www.cra.gc.ca/gsthst-netfile](http://www.cra.gc.ca/gsthst-netfile).

La version française de la présente publication est intitulée *Nouvelles sur l'accise et la TPS/TVH*.



Canada Revenue  
Agency

Agence du revenu  
du Canada

Canada

suite. Such additional property and services may include meals, housekeeping, laundry, security monitoring, nutritional and nursing care services, scheduled transportation, social, recreational, educational and religious services, personal supervision, personal care, and assistance with the activities of daily living.

Residential care facilities include facilities that are generically described as care homes, personal care homes, congregate housing, assisted living residences, seniors' residences, retirement residences, nursing homes and homes for the aged. A residential care facility does not include facilities such as a hospital or mental health facility.

### ***Self-supply***

If you are a builder-operator of a residential care facility, you are generally considered to have made a self-supply under the new rules if you build or substantially renovate the facility and you give possession or use of a unit in the facility under a lease for its long-term residential use by an individual.

Prior to February 27, 2008, the self-supply rules may not have applied to facilities that provide nursing or personal care services and that included a room or suite. Under amendments to the *Excise Tax Act*, the new self-supply rules apply to builder-operators who are required to self-supply after February 26, 2008. The new rules also apply where a builder-operator has accounted for tax on a self-supply that occurred before February 27, 2008.

In addition, a builder-operator who did not account for tax on a self-supply that occurred before February 27, 2008 may choose to self-supply by filing an election to adjust its net tax for any reporting period that ends before February 27, 2010, provided the election is filed with the return by the due date of the return for the reporting period.

### ***Are you eligible to make this election?***

You can make this election if you are not a co-operative housing corporation and you meet **all** of the following conditions:

- you are the builder of a residential complex or an addition;
- you are eligible for a new residential rental property rebate for one or more residential units in the residential complex or addition, or would be eligible if the time limit for claiming the rebate did not apply and the fair market value threshold for the unit, complex or addition did not apply;
- you are not a builder who sells a residential unit and leases the land portion of the complex or addition;
- you would have been deemed to have made a self-supply of the residential complex or addition at a time before February 27, 2008, as a result of leasing the complex or a unit in the complex or addition, had the new self-supply rules been in effect at the time;
- you did not account for tax on a self-supply of the residential complex or addition in a return filed or required to be filed before February 27, 2008;
- you did not make a supply by way of sale of the residential complex or addition to another person before February 27, 2008;
- you have not made another election to adjust the net tax for the self-supply of this residential complex or addition; and
- the reporting period to which this election applies ends before February 27, 2010.

### ***How do I make an election?***

Complete Form GST119, *GST/HST Election to Adjust Net Tax for the Self-Supply of a Residential Complex*, and file it with your return for the reporting period to which the election applies. This election must be filed on or before the day you are required to file your GST/HST return for the reporting period to which this election applies and for which you are claiming the net tax adjustment. This election cannot be revoked.



GST/HST Info sheet GI-050, *Residential Care Facilities and the GST/HST Election to Adjust Net Tax for the Self-Supply of a Residential Complex* has recently been published. This info sheet explains the new election and provides instructions on how to complete Form GST119 as it relates to builder-operators of residential care facilities.

More information is also available in GST/HST Info Sheet GI-045, *Residential Care Facilities and Proposed Changes in the 2008 Budget*.

### **Tsawwassen First Nation Final Agreement Act comes into effect**

As of April 3, 2009, the Tsawwassen First Nation, British Columbia, became self-governing and ceased to be an Indian band as defined in the *Indian Act*.

Also effective April 3, 2009, the Tsawwassen First Nation and its entities are no longer entitled to tax relief as described in GST/HST Technical Information Bulletin B-039R, *GST/HST Administrative Policy – Application of the GST/HST to Indians* and are required to pay the GST/HST when acquiring taxable supplies of goods and services.

### **GST Self-Government Refund**

A tax treatment agreement, effective April 3, 2009, provides for a GST self-government refund. This refund is available for 100% of the GST or FNGST paid on goods and services acquired by the Tsawwassen Government and its eligible entities provided that input tax credits are not available and the other eligibility requirements are met.

The Tsawwassen Government and its eligible entities may claim the refund using Form GST66, *GST/HST Public Service Bodies' Rebate and GST Self-Government Refund*. The claim must be filed within four years after the tax was paid.

### **Tsawwassen individuals**

Also effective April 3, 2009, Tsawwassen lands ceased to be reserve lands. However, Tsawwassen Indian individuals are still entitled to tax relief as the Final Agreement provides for a transitional exemption from taxation to Indian individuals on former Tsawwassen reserve lands. For GST/HST purposes, the transitional exemption expires on April 30, 2017.

### **Reminder – tourism industry**

Summer tourist season is upon us and the CRA would like to remind you to update your publications and Web pages to reflect current information regarding the Foreign Convention and Tour Incentive Program (FCTIP).

The FCTIP was implemented effective April 1, 2007. Under the FCTIP, non-residents continue to be eligible for a rebate of up to 50% of the GST/HST paid on eligible tour packages and non-resident tour operators continue to be eligible for a rebate of the GST/HST paid on accommodation that they resell as part of an eligible tour package. You can find specific information on the FCTIP in GST/HST Info Sheets GI-026 to GI-033, GI-044, and GI-046 available on the CRA Web site.

Since the FCTIP does not provide a rebate of GST/HST paid on goods exported from Canada by non-resident consumers, please ensure that the brochures and any other publications available to consumers **do not** indicate that there is a GST/HST rebate on these goods.



Under the transitional rules for the Visitor Rebate Program, certain accommodation is eligible for a rebate. The accommodation must have been sold to a non-resident under an agreement in writing entered into before September 25, 2006 and the accommodation must be made available to a non-resident individual before April 2009. Please see GST/HST Info Sheet GI-026, *Visitor Rebate Program – Non-Residents Purchasing Accommodation: When is the Rebate Still Available?* for more information.

### Prescribed rates of interest

The prescribed annual rate of interest in effect from April 1, 2009 to June 30, 2009, on overdue amounts payable to the Minister is 5%. The prescribed annual rate of interest on amounts owed by the Minister (i.e., rebates or refunds) is 3%. These rates are applicable to income tax, excise tax, the softwood lumber products export charge, GST/HST and the air travellers security charge (ATSC) and excise duty on wine, spirits and tobacco.

The prescribed annual rate of interest respecting excise duty on beer, on overdue amounts payable for the indicated period, is set at 3%. Refund interest rates are not applicable for amounts owed by the Minister (i.e., rebates or refunds) for excise duty that is in relation to beer.

Period	Income Tax, Excise Tax, Softwood Lumber Products Export Charge, GST/HST and ATSC, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)
	Refund Interest	Arrears and Instalment Interest	Arrears Interest
<b>2009</b>			
April 1 – June 30	3%	5%	3%
January 1 – March 31	4%	6%	4%
<b>2008</b>			
October 1 – December 31	5%	7%	5%
July 1 – September 30	5%	7%	5%
April 1 – June 30	6%	8%	6%

Prescribed interest rates for previous years are available on the CRA Web site at [www.cra.gc.ca/interestrates](http://www.cra.gc.ca/interestrates).

### What's new in publications

The following is a list of new or revised excise and GST/HST forms and publications.

#### **GST/HST notices**

Notice242	<i>Notice of Change, GST/HST Memorandum 4-3, Basic Groceries</i>
Notice243	<i>Draft GST/HST policy statement, Fertilizer and/or Pesticide Supplied Together with an Application Service</i>

#### **GST/HST forms**

GST21	<i>Election or Revocation of an Election to Have the Joint Venture Operator Account for GST/HST</i>
GST106	<i>Schedule 2 - Information on Claims Paid or Credited for Foreign Conventions and Tour Packages</i>
GST114	<i>Bond for Non-Resident Person without a Permanent Business Establishment in Canada</i>
GST190	<i>GST/HST New Housing Rebate Application</i>
GST191	<i>GST/HST New Housing Rebate Application For Owner-Built Houses</i>
GST191-WS	<i>Construction Summary Worksheet</i>
GST192	<i>GST/HST Transitional Rebate Application for Builders of New Housing on Leased Land</i>
GST193	<i>GST/HST Transitional Rebate Application for Purchasers of New Housing</i>

GST367	<i>Endorsement to the Bond for Non-Resident person without a Permanent Business Establishment in Canada</i>
E680	<i>Notice of Objection (Excise Act, 2001)</i>

### ***GST/HST guides***

RC4028	<i>GST/HST New Housing Rebate</i>
RC4033	<i>General Application for GST/HST Rebates</i>
RC4049	<i>GST/HST Information for Municipalities</i>
RC4081	<i>GST/HST Information for Non-Profit Organizations</i>
RC4346	<i>GST/HST Administration Checklist</i>
RC4347	<i>GST/HST Administration Guide</i>

### ***GST/HST memoranda***

25-2	<i>Designation of Hospital Authorities</i>
------	--

### ***Excise duty forms***

B243	<i>Excise Tax Return – Insured</i>
------	------------------------------------

### ***Excise duty notices***

EDBN13	<i>K50B Filing and Payment Schedules for Brewers (2009-2010)</i>
--------	--

### ***Softwood lumber products export charge notices***

SWLN4	<i>Security Requirements for Non-Resident Persons and Persons Without a Permanent Establishment in Canada (revised)</i>
-------	---

### ***Softwood lumber products export charge forms***

B275	<i>Softwood Lumber Products Export Charge Return</i>
RC45	<i>Notice of Objection (Softwood Lumber Products Export Charge Act, 2006)</i>

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at [www.cra.gc.ca/gsthstech](http://www.cra.gc.ca/gsthstech).

## Enquiries

**For online access to account balances, transactions and more** for your GST/HST, softwood lumber products export charge, air travellers security charge as well as excise taxes and duty accounts, visit [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

**For general information and to make enquiries regarding your account** (except for softwood lumber products export charge accounts), call Business Enquiries at 1-800-959-5525.

**For enquiries regarding your softwood lumber products export charge account**, call 1-800-935-0313.

**To make enquiries regarding the status of specific GST/HST domestic rebate claims**, call 1-800-565-9353.

**For GST/HST technical enquiries** call GST/HST Rulings at 1-800-959-8287.

## Forms and publications

To access forms and publications online visit [www.cra.gc.ca/orderforms](http://www.cra.gc.ca/orderforms).

To order forms and publications by telephone call 1-800-959-2221.

## Are you a GST/HST registrant located in Quebec?

To make an enquiry or obtain information on the GST/HST, contact Revenu Québec at 1-800-567-4692 or visit their Web site at [www.revenu.gouv.qc.ca](http://www.revenu.gouv.qc.ca).

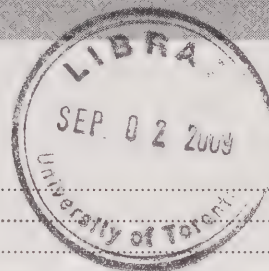
The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), First Nations goods and services tax (FNGST) and First Nations tax (FNT), softwood lumber products export charge, air travellers security charge (ATSC) as well as excise taxes and duties. If you would like to receive a link to each new edition of the *Excise and GST/HST News* as it is published, subscribe to the electronic mailing list.

This publication is provided for information purposes only and does not replace the law, either enacted or proposed. Please note that any commentary in this newsletter regarding proposed measures should not be taken as a statement by the CRA that such measures will in fact be enacted into the law in their current form. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, ON K1A 0L5.



## Table of Contents

Reminder for qualifying financial institutions – Form GST116 renewal process .....	1
Ships' Stores Regulations .....	1
Distinguishing between a joint venture and a partnership .....	2
Prescribed rates of interest .....	4
What's new in publications .....	4
Enquiries .....	6



### Reminder for qualifying financial institutions – Form GST116 renewal process

Proposed amendments to the *Excise Tax Act* (the Act) provide that a financial institution which is a qualifying institution (QFI) may request authorization to use particular methods to determine the operative extent and procurative extent of each input for a particular fiscal year, beginning after March 2008.

Many QFIs will be filing Form GST116, *Application, Renewal, or Revocation of the Authorization for a Qualifying Institution to Use Particular Methods*, to request a renewal of an authorization to use particular methods that was granted for a previous fiscal year.

After Form GST116 has been filed, a QFI may be required to provide additional information in order to complete the review of the renewal request. The required information may include:

- a detailed description of the particular methods,
- a worked example for the second preceding fiscal year.

For more information, please see GST/HST Technical Information Bulletins B-097, *Determining Whether a Financial Institution is a Qualifying Institution for Purposes of Section 141.02*, or B-098, *Application of Section 141.02 to Financial Institutions that are Qualifying Institutions*, or GST/HST Notice236, *Draft GST/HST Technical Information Bulletin, Input Tax Credit Allocation Methods for Financial Institutions for Purposes of Section 141.02 of the Excise Tax Act – For Discussion Purposes Only*.

### Ships' Stores Regulations

On June 18, 2009, SOR/2009-195, *Regulations Amending the Ships' Stores Regulations* (2009) were registered. Renewable fuels are now included on the list of goods that qualify as ships' stores, making them eligible for relief of the customs duties and excise taxes that would otherwise apply. For excise tax purposes, these amendments are retroactive to April 1, 2008. These amendments were published in the *Canada Gazette, Part II* on July 8, 2009 and are available on the *Canada Gazette* Web site at: [www.canadagazette.gc.ca](http://www.canadagazette.gc.ca). An article in the Spring 2008 issue of *Excise and GST/HST News* (No. 68) summarized the amendments when they were proposed.

**My Business Account:** View your account balances and transactions, transfer payments, get additional remittance vouchers, calculate a future balance, authorize your employees and representatives, file returns, make online requests for financial transactions, and more. Go to [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

**GST/HST NETFILE:** Faster processing and refunds, immediate confirmation of receipt, and no postal costs. Visit [www.cra.gc.ca/gsthst-netfile](http://www.cra.gc.ca/gsthst-netfile).

La version française de la présente publication est intitulée *Nouvelles sur l'accise et la TPS/TVH*.



For purposes of the *Ships' Stores Regulations*, "renewable fuel" includes fuel that is produced from biomass, waste material or feedstock of biological origin, whether or not the fuel is blended with a petroleum product.

Subsection 68.01(2) of the *Excise Tax Act* (the Act) provides that if excise tax has been paid in respect of fuel, an application may be made by, and a refund may be paid to, a purchaser who uses fuel as ships' stores, provided that no application in respect of the fuel is made by any person under section 68.17 or 70 of the Act.

With the recent amendments to the Schedule to the *Ships' Stores Regulations*, qualified purchasers are eligible to file a form N15, *Application for Refund/Deduction of Excise Taxes* directly with the Canada Revenue Agency to apply for a refund of the excise tax paid on renewable fuel retroactive to April 1, 2008, pursuant to subsection 68.01(2) of the Act. All end-user refund claims must be submitted within two years from the date of purchase.

A qualified purchaser of renewable fuels (as well as other qualifying fuels) may now purchase fuel excise tax exempt by providing the fuel supplier, at the time of delivery, with Form K36A, *Ships' Stores Declaration and Clearance Certificate*, or other acceptable documentation.

### **More information**

For more information please see Excise Taxes and Special Levies Notices ETSL69, *Proposed Amendment to the Ships' Stores Regulations to Include Renewable Fuels* and ETSL71, *Regulations Amending the Ships' Stores Regulations* (2009). Please call the excise tax information line at 1-888-609-0073 for questions relating to your particular circumstances.

### **Distinguishing between a joint venture and a partnership**

Only "persons" may register for the GST/HST under the *Excise Tax Act*.

The Act's definition of a "person" includes a partnership, but not a joint venture. For this reason, it is important to distinguish whether an arrangement is a partnership or a joint venture.

Generally, and provided all of the other conditions for GST/HST registration have been met,

- a partnership may register for the GST/HST in respect of partnership activities (GST/HST Policy Statement P-216, *Registration of a Partner* provides information concerning the eligibility of some corporate partners to register for the GST/HST in respect of partnership activities); and
- the participants in a joint venture may register for the GST/HST in respect of joint venture activities, but the joint venture itself may not register.

### **Determining whether there is a joint venture or a partnership**

As set out in P-171R, *Distinguishing Between a Joint Venture and a Partnership for the Purposes of the Section 273 Joint Venture Election*, to determine whether a particular relationship is a joint venture or a partnership, the circumstances of the relationship should be reviewed in detail to ascertain whether it is either:

- an arrangement in which two or more persons work together in a limited and defined business undertaking, which does not constitute a partnership, a trust or a corporation, the expenses and revenues of which will be distributed in mutually agreed portions (i.e. the CRA's administrative definition of "joint venture"); or
- a relationship that subsists between persons carrying on business in common with a view to a profit (the CRA's administrative definition of "partnership").

Where, based on the circumstances of the case, neither definition applies and the arrangement is neither a partnership nor a joint venture the case should be further researched to determine the nature of the relationship.



The relevant provincial *Partnership Act* or the *Civil Code of Québec* may not, in itself, resolve the question of whether the arrangement is a joint venture or a partnership. In such cases, the relevant legislation should be applied together with the guidelines set out in P-171R.

### **Guidelines**

The guidelines set out in P-171R may be used to help determine the existence of either a partnership or a joint venture arrangement. However, they are not individually decisive and have no legal force. Also, they should be applied and weighed on a case-by-case basis having regard to the substance of the relationship.

The guidelines relate to the following factors:

- Are there two or more parties?
- What is the intention of the parties?
- Is there a limitation to a single undertaking or ad hoc undertaking?
- Is there a right of mutual control or management?
- What is the contribution by each participant?
- Is there joint ownership in the venture subject matter?
- Is there freedom to dispose of interests in the property?
- Is there the expectation of benefits or the presence of an “adventure”?
- Is there a right to participate in the benefits?
- Is there a limitation of liabilities?
- What is the income tax treatment?
- What is the format of the agreement?

The joint venture relationship is not recognized in Quebec civil law by the *Civil Code of Québec*. Nevertheless, Quebec civil law does not prohibit the formation of a joint venture. Therefore, where an arrangement in Quebec is, according to the common law guidelines outlined above a joint venture and not a partnership, it will generally be regarded as a joint venture for GST/HST purposes.

### **Election**

The participants of a qualifying joint venture can jointly elect to designate one of them as the operator of the joint venture, in which case the operator is responsible for accounting for GST/HST on behalf of the participants with respect to their purchases and sales made in the course of the activities of the joint venture.

This election is made using Form GST21, *Election or Revocation of an Election to Have the Joint Venture Operator Account for GST/HST*. This form must be completed by the operator for each co-venturer that wishes to jointly elect.

"Participant" of a joint venture, for purposes of that election, means:

- (a) a person who, under a joint venture agreement evidenced in writing, makes an investment by contributing resources and takes a proportionate share of any revenue or incurs a proportionate share of the losses from the joint venture activities; or
- (b) a person, without a financial interest, who is designated as the operator of the joint venture under an agreement in writing and is responsible for the managerial or operational control of the joint venture.

Also, for making the election in respect of a joint venture, the joint venture must be for the exploration or exploitation of mineral deposits or for a prescribed activity.



## Further information

A detailed discussion of the guidelines and how they may apply, and how to distinguish between a partnership and a joint venture, is provided in GST/HST Policy Statement P-171R, *Distinguishing Between a Joint Venture and a Partnership for the Purposes of the Section 273 Joint Venture Election*. In cases where participants in a joint venture have made use of the election in subsection 273(1), please also refer to GST/HST Policy Statement P-106, *Administrative Definition of a "Participant" in a Joint Venture*, P-138R, *The Effect of Making a Joint Venture Election on a Participant's Eligibility to Register and Claim Input Tax Credits*, and P-139R, *Tax Liability and Input Tax Credit Entitlement of a Non-Electing Joint Venture Participant*. Please call GST/HST Rulings at 1-800-959-8287 to ascertain whether a relationship is a partnership or a joint venture for GST/HST purposes, whether a person is a joint venture participant for GST/HST purposes, or whether the activity of the joint venture permits the parties to make the election.

## Prescribed rates of interest

The prescribed annual rate of interest in effect from July 1, 2009 to September 30, 2009, on overdue amounts payable to the Minister is 5%. The prescribed annual rate of interest on amounts owed by the Minister (i.e., rebates or refunds) is 3%. These rates are applicable to income tax, excise tax, the softwood lumber products export charge, GST/HST and the air travellers security charge (ATSC) and excise duty on wine, spirits and tobacco.

The prescribed annual rate of interest respecting excise duty on beer, on overdue amounts payable for the indicated period, is set at 3%. Refund interest rates are not applicable for amounts owed by the Minister (i.e., rebates or refunds) for excise duty that is in relation to beer.

Period	Income Tax, Excise Tax, Softwood Lumber Products Export Charge, GST/HST and ATSC, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)
	Refund Interest	Arrears and Instalment Interest	Arrears Interest
<b>2009</b>			
July 1 – September 30	3%	5%	3%
April 1 – June 30	3%	5%	3%
January 1 – March 31	4%	6%	4%
<b>2008</b>			
October 1 – December 31	5%	7%	5%

Prescribed interest rates for previous years are available on the CRA Web site at [www.cra.gc.ca/interestrates](http://www.cra.gc.ca/interestrates).

## What's new in publications

The following is a list of new or revised excise and GST/HST forms and publications.

### GST/HST forms

RC1	<i>Request for a Business Number (BN)</i>
RC151	<i>GST/HST Credit Application for Individuals Who Become Residents of Canada</i>
GST469	<i>Direct Deposit Request (Non-Personalized)</i>
GST521	<i>GST/HST Multi-employer Pension Plan Trust Rebate Application</i>

***GST/HST guides & pamphlets***

RC2	<i>The Business Number and Your Canada Revenue Agency Program Accounts</i>
RC4072	<i>First Nations Tax (FNT)</i>
RC4050	<i>GST/HST Information for Selected Listed Financial Institutions</i>
RC4052	<i>GST/HST Information for the Construction Industry</i>
RC4210	<i>GST/HST Credit (Including related provincial credits and benefits) for the period from July 2009 to June 2010</i>
RC4365	<i>First Nations Goods and Services Tax (FNGST)</i>

***GST/HST memoranda***

27.1	<i>Calculating the GST/HST on Tour Packages</i>
28.1	<i>Ferries, Toll Roads and Toll Bridges</i>

***Excise duty forms***

B256	<i>General Application for Refund of Excise Duty Under the Excise Act 2001</i>
------	--

***Excise duty memoranda***

EDM1-1-1	<i>The Excise Duty Program</i>
----------	--------------------------------

***Excise Taxes and Special Levies Notices***

ETSL71	<i>Regulations Amending the Ships' Stores Regulations (2009)</i>
--------	--

***Softwood lumber products export charge notices***

SWLN3	<i>Calculation of Export Price (revision)</i>
SWLN13	<i>Surge Charge – Alberta Region (June 2009)</i>

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at [www.cra.gc.ca/gsthstech](http://www.cra.gc.ca/gsthstech).

## Enquiries

**For online access to account balances, transactions and more** for your GST/HST, softwood lumber products export charge, air travellers security charge as well as excise taxes and duty accounts, visit [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

**For general information and to make enquiries regarding your account** (except for softwood lumber products export charge accounts), call Business Enquiries at 1-800-959-5525.

**For enquiries regarding your softwood lumber products export charge account**, call 1-800-935-0313.

**To make enquiries regarding the status of specific GST/HST domestic rebate claims**, call 1-800-565-9353.

**For GST/HST technical enquiries** call GST/HST Rulings at 1-800-959-8287.

### Forms and publications

To access forms and publications online visit [www.cra.gc.ca/orderforms](http://www.cra.gc.ca/orderforms).

To order forms and publications by telephone call 1-800-959-2221.

### Are you a GST/HST registrant located in Quebec?

To make an enquiry or obtain information on the GST/HST, contact Revenu Québec at 1-800-567-4692 or visit their Web site at [www.revenu.gouv.qc.ca](http://www.revenu.gouv.qc.ca).

---

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), First Nations goods and services tax (FNGST) and First Nations tax (FNT), softwood lumber products export charge, air travellers security charge (ATSC) as well as excise taxes and duties. If you would like to receive a link to each new edition of the *Excise and GST/HST News* as it is published, subscribe to the electronic mailing list.

This publication is provided for information purposes only and does not replace the law, either enacted or proposed. Please note that any commentary in this newsletter regarding proposed measures should not be taken as a statement by the CRA that such measures will in fact be enacted into the law in their current form. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, ON K1A 0L5.



## Excise and GST/HST News

No. 74

Fall 2009

## Table of Contents

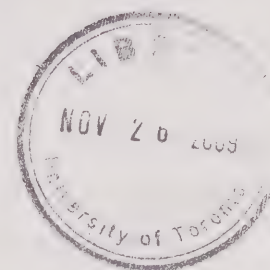
Ontario and British Columbia harmonized sales tax .....	1
Financial institutions and the GST.....	2
Enhanced stamping regime for tobacco products.....	3
Extension – GST/HST rebate/refund holds and outstanding corporate income tax returns (T2s) for corporations exempt from paying tax under the <i>Income Tax Act</i> .....	4
Excise and other levies PDF fillable forms .....	4
Changes to GST/HST electronic filing options .....	5
My Payment – a new service for businesses and individuals .....	5
Prescribed rates of interest .....	6
What's new in publications.....	6
Enquiries .....	7

**Ontario and British Columbia harmonized sales tax**

The Province of Ontario and the Province of British Columbia (B.C.) have each signed a Memorandum of Agreement (MOA) with the Government of Canada that provides the framework for the introduction of a harmonized sales tax (HST) in Ontario and in B.C. The proposed HST would come into effect in both provinces on July 1, 2010 at a rate of 13% for Ontario and 12% for B.C. Subject to legislative approval, the Ontario and B.C. HST would use the same tax base and structure as the GST. The MOAs also allow Ontario and B.C. to designate a limited number of point-of-sale rebates of the provincial component of the HST and implement for a transitional period (which may be up to eight years) certain restrictions on allowable business input tax credits. The HST in Ontario and in B.C. would be administered by the CRA.

The proposed HST would break down in the following way:

	Ontario	B.C.
Provincial component	8%	7%
Federal component (GST)	5%	5%
Combined HST rate	13%	12%

**General transitional rules**

The CRA has published a collection of questions and answers relating to general transitional rules for both provinces in GST/HST Notice247, *Harmonized Sales Tax for Ontario and British Columbia – Questions and Answers on General Transitional Rules for Personal Property and Services*, available on the CRA Web site. These questions and answers are based on the following notices that were published on October 14, 2009 by Ontario and B.C. on their respective Web sites: Information Notice 3, *General Transitional Rules for Ontario HST*, available at

**My Business Account:** View your account balances and transactions, transfer payments, get additional remittance vouchers, calculate a future balance, authorize your employees and representatives, file returns, make online requests for financial transactions, and more. Go to [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

**GST/HST NETFILE:** Faster processing and refunds, immediate confirmation of receipt, and no postal costs. Visit [www.cra.gc.ca/gsthst-netfile](http://www.cra.gc.ca/gsthst-netfile).

La version française de la présente publication est intitulée *Nouvelles sur l'accise et la TPS/TVH*.



Canada Revenue  
Agency

Agence du revenu  
du Canada

Canada

[www.rev.gov.on.ca/en/taxchange](http://www.rev.gov.on.ca/en/taxchange), under “What’s New”, and HST Notice #1, *General Transitional Rules for British Columbia HST*, available at [www.gov.bc.ca/hst](http://www.gov.bc.ca/hst), under “Proposed Transition Rules for HST”.

### ***Housing rebates and transitional rules for housing and other real property situated in Ontario***

The CRA has published questions and answers relating to housing rebates and transitional rules for real property situated in Ontario in GST/HST Notice 244, *Harmonized Sales Tax for Ontario – Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in Ontario*. It is available on the CRA Web site. These questions and answers are based on Information Notice 2, *Helping Homebuyers and the Housing Industry with an Enhanced New Housing Rebate, a New Rental Housing Rebate and Transitional Rules*, and the real property portions of Information Notice 3, *General Transitional Rules for Ontario HST*, both published, respectively, on June 18, 2009 and October 14, 2009 by the Government of Ontario at [www.rev.gov.on.ca/en/notices/hst/index.html](http://www.rev.gov.on.ca/en/notices/hst/index.html). Questions regarding housing rebates or the transitional rules for housing in Ontario should be directed to GST/HST Rulings at 1-800-959-8287.

### ***Transitional rules for non-residential real property situated in B.C.***

The CRA has also published questions and answers relating to the transitional rules for real property, other than housing, situated in B.C., in GST/HST Notice 246, *Harmonized Sales Tax – Questions and Answers on Transitional Rules for Non-Residential Real Property Situated in British Columbia*. It is available on the CRA Web site. These questions and answers are based on the real property portions of HST Notice #1, *General Transitional Rules for British Columbia HST*, published on October 14, 2009 by the Government of British Columbia at [www.gov.bc.ca/hst](http://www.gov.bc.ca/hst), under “Proposed Transition Rules for HST”.

More information will be published on the CRA Web site as it becomes available. For more general information on these proposed harmonized sales taxes please see the Province of Ontario Web site at [www.rev.gov.on.ca/en/taxchange](http://www.rev.gov.on.ca/en/taxchange) and the Province of British Columbia Web site at [www.gov.bc.ca/hst](http://www.gov.bc.ca/hst).

### **Financial institutions and the GST**

On September 23, 2009, the Minister of Finance released *Legislative Proposals, Draft Regulations and Explanatory Notes Relating to the Excise Tax Act* for several measures aimed at further streamlining the application of the GST/HST to the financial services sector. This draft legislation is linked to and builds on draft legislation that was released in January 2007.

The proposed measures would:

- allow Canadian financial institutions to elect to use a simpler alternative approach to self-assess tax on services provided by their foreign branches to Canadian branches;
- allow financial institutions to exclude certain financial derivative transactions from the self-assessment rules that apply to imported services;
- allow large banks, insurance companies and securities dealers to use their own proposed methods to allocate input tax credits in certain circumstances;
- provide financial institutions and the CRA with more flexibility in the use of the process for pre-approving an input tax credit allocation method; and
- allow financial institutions to challenge allocation methods directed by the CRA in the Tax Court of Canada, with the onus on the CRA to prove that its methods were fair and reasonable.

The new draft legislation would also implement measures that were previously announced in January 2007 to replace the complex system of legislative and administrative rules that currently apply to different employer-sponsored registered pension plan trust structures with a new GST/HST rebate system that will apply equitably to all such structures. The new draft legislation would also provide for a new GST/HST annual



information return for financial institutions which would replace Form GST111, *Schedule 1 – Financial Institution GST/HST Annual Information Schedule*.

For most listed financial institutions that file Form GST34, *Goods and Services Tax/Harmonized Sales Tax Return for Registrants*, annually or for selected listed financial institutions that file Form GST494, *Goods and Services Tax/Harmonized Sales Tax Final Return for Selected Listed Financial Institutions*, the proposed amendments extend the due date for filing these returns from three months to six months after year-end. The due date for filing these returns will therefore coincide with the due date for filing the financial institution's annual income tax returns.

More information on this draft legislation is available on the Department of Finance Web site at [www.fin.gc.ca](http://www.fin.gc.ca). As well, a summary of the previously released draft measures is in the Spring 2007 edition (No. 64) of the *Excise and GST/HST News*. Detailed information based on the previously released draft measures is provided in these publications:

- B-095, *Import Rules for Financial Institutions under Section 217.1 and Dealings Between Permanent Establishments under Section 220*.
- B-097, *Determining Whether a Financial Institution is a Qualifying Institution for Purposes of Section 141.02*
- B-098, *Application of Section 141.02 to Financial Institutions That Are Qualifying Institutions*
- B-099, *Application of Section 141.02 to Financial Institutions That Are Not Qualifying Institutions*
- Notice236, *Draft GST/HST Technical Information Bulletin, Input Tax Credit Allocation Methods for Financial Institutions for Purposes of Section 141.02 of the Excise Tax Act*

The CRA will revise these publications in the months to come.

### **Enhanced stamping regime for tobacco products**

On September 14, 2009, the Honourable Jean-Pierre Blackburn, Minister of National Revenue and Minister of State (Agriculture and Agri-Food), announced that the CRA has made significant progress toward the introduction of a proposed new tobacco excise stamp in 2010. This follows the release of the proposed legislative amendments to the *Excise Act, 2001* by the Department of Finance on August 6, 2009. See the Finance News Release 2009-075, on the Finance Web site at [www.fin.gc.ca](http://www.fin.gc.ca)

The cornerstone of the proposed enhanced stamping regime is a new state-of-the-art tobacco excise stamp that would contain both overt and covert security features, much like those found on Canadian currency. The specific details of these security features will not be made public, but the proposed new tobacco excise stamps would allow the CRA and its enforcement partners, among them the Royal Canadian Mounted Police, the Canada Border Services Agency, and the provinces, to more easily detect and respond to counterfeit and illicit tobacco products.

The proposed legislative amendments would control the design, manufacture, and issuance of new tobacco excise stamps, limit the quantities of stamps issued to the manufacturers of tobacco products, designate who may receive and possess the stamps, and require anyone who has been issued tobacco stamps to account for them. The CRA is currently drafting regulations, policies, directives and guidelines to provide for the administrative framework for the new tobacco stamping regime.

For more information about the proposed new excise duty stamping regime for tobacco products, see the CRA News Release of September 14, 2009 and Fact sheet, on the CRA Web site.



## **Extension – GST/HST rebate/refund holds and outstanding corporate income tax returns (T2s) for corporations exempt from paying tax under the *Income Tax Act***

On July 16, 2009, the CRA published a Fact sheet, *Compliance refund hold impact on tax-exempt corporations*, which announced an extension through to the 2010 taxation year of its administrative position to not automatically withhold refunds or rebates of incorporated MUSH entities (municipalities, universities, schools, and hospitals), non-profit organizations, federal Crown corporations, and Indian band councils that are exempt from federal income tax under the *Income Tax Act*.

Without this extension to the 2010 taxation year, the entities covered by the CRA administrative position would initially have had to file T2 returns by their due dates for taxation years ending on or after April 1, 2008, to prevent automated holds applying to their refunds or rebates.

The Winter 2008 edition of the *Excise and GST/HST News* (No. 67) published information on the administrative position for the initial extension period.

## **Excise and other levies PDF fillable forms**

The CRA has published a revised version of Form B256, Excise Act, 2001, *Application for Refund/ Deduction*. The PDF fillable format of this form allows those who need to apply for a refund of excise duty paid to complete the form online, print it and send it to the Summerside Tax Centre for processing.

The benefit of using this online form is that all amounts entered on page 3 in the “Amount Claimed” column, the result shown in the “Total Amount Claimed box” (box 8) on page 3, and the “Total Amount Claimed” box (box 5) on page 1, are automatically totalled. This means fewer errors and less time spent completing the form.

There are ten other PDF fillable forms for excise duty, excise taxes, the softwood lumber charges and the air travellers security charge. They are all available on the CRA Web site at this address: [www.cra-arc.gc.ca/menu/FIL-e.html](http://www.cra-arc.gc.ca/menu/FIL-e.html)

- B268, *Notification of Fiscal Months*
- B269, *Application or Revocation of the Authorization to File Separate Excise Duty Returns and Refund Applications for Branches or Divisions*
- B270, *Excise duty return - Non-Licensee*
- B278, *Softwood Lumber Products Export Charge - Application for Refund*
- B278-1, *Softwood Lumber Products Export Charge - Supplementary Information - Third Country Adjustment*
- E664, *Direct Deposit Request / Electronic Transfer Request (Payments > \$25 Million) for Excise Refunds and Rebates*
- E681, *Refund Claim on Exported Tobacco Products Under the Excise Act, 2001*
- E696, *Waiver*
- E697, *Notice of Revocation of Waiver*
- N10, *Refund – Credit Claim*

The toll-free telephone numbers for enquiries are provided on each form.

## **Changes to GST/HST electronic filing options**

If you currently use commercial accounting software to prepare your GST/HST returns, the CRA now provides a new way to file electronically.

On October 5, 2009, the CRA launched the GST/HST Internet File Transfer (GIFT), a new electronic option for filing GST/HST returns. GIFT is an Internet-based filing option that allows eligible registrants to file their own GST/HST returns directly with the CRA over the Internet using a CRA-approved third-party accounting software package.

To take advantage of GIFT, complete your return using approved software and save the (.tax) file on your computer. Next, access our Web site where you will be prompted to attach your (.tax) file. You will then be asked to review the details and enter your four digit access code. After you confirm that you want to submit the file, you will receive a confirmation number as proof that the CRA has received your return.

For more information on GST/HST Internet File Transfer, including a list of approved accounting software, please visit us at [www.cra.gc.ca/gsthst-internetfiletrans](http://www.cra.gc.ca/gsthst-internetfiletrans).

In addition to the implementation of GIFT, CRA is making another enhancement to our electronic filing services. Effective October 5, 2009, the refund limit has been raised from \$10,000 to \$50,000 for GST/HST NETFILE and GST/HST TELEFILE. This refund limit also applies to returns filed using GIFT.

All GST/HST electronic filing options are available seven days a week, Monday to Saturday, 7:00 a.m. to 11:00 p.m. (local time) and Sunday 1:30 p.m. to 11:00 p.m. (local time).

To find out if you are eligible to use any of our electronic filing options, simply look to see if an access code is printed on your personalized GST/HST return. Some restrictions apply.

For additional information on all of CRA's electronic filing options for GST/ST returns, please visit us at [www.cra.gc.ca/gsthst-filing](http://www.cra.gc.ca/gsthst-filing).

## **My Payment – a new service for businesses and individuals**

My Payment is an electronic payment service accessed through the CRA Web site. It allows individuals and businesses to send payments directly to the CRA from an account at a financial institution currently offering INTERAC® Online as a payment option (i.e., BMO Bank of Montreal, Scotiabank, TD Canada Trust, and RBC Royal Bank). (Consult with your financial institution about their online payment options.)

The benefits of using this electronic payment service are:

- immediate payment – no accounting for the time it takes to mail a cheque;
- safety and security – the payment is completed through your existing online banking service;
- privacy – no personal information is exchanged between the CRA and your financial institution; and
- simplicity – payments to several CRA accounts can be made in a single transaction.

### **How do I use My Payment?**

Select the My Payment option from the CRA Web site at [www.cra.gc.ca/mypayment](http://www.cra.gc.ca/mypayment) and follow the instructions.

## Prescribed rates of interest

The prescribed annual rate of interest in effect from October 1, 2009 to December 31, 2009, on overdue amounts payable to the Minister is 5%. The prescribed annual rate of interest on amounts owed by the Minister (i.e., rebates or refunds) is 3%. These rates are applicable to income tax, excise tax, the softwood lumber products export charge, GST/HST and the air travellers security charge (ATSC) and excise duty on wine, spirits and tobacco.

The prescribed annual rate of interest respecting excise duty on beer, on overdue amounts payable for the indicated period, is set at 3%. Refund interest rates are not applicable for amounts owed by the Minister (i.e., rebates or refunds) for excise duty that is in relation to beer.

Period	Income Tax, Excise Tax, Softwood Lumber Products Export Charge, GST/HST and ATSC, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)
	Refund Interest	Arrears and Instalment Interest	Arrears Interest
<b>2009</b>			
October 1 – December 31	3%	5%	3%
July 1 – September 30	3%	5%	3%
April 1 – June 30	3%	5%	3%
January 1 – March 31	4%	6%	4%

Prescribed interest rates for previous years are available on the CRA Web site at [www.cra.gc.ca/interestrates](http://www.cra.gc.ca/interestrates).

## What's new in publications

The following is a list of new or revised excise and GST/HST forms and publications.

### ***GST/HST guides***

RC188      *Keeping Records*

### ***GST/HST memoranda***

27-2      *Conventions*

### ***GST/HST notices***

Notice244      *Harmonized Sales Tax for Ontario – Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in Ontario*  
Notice245      *Supreme Court of Canada Decision – United Parcel Service Canada Ltd. v. Her Majesty the Queen [2009]*  
Notice246      *Harmonized Sales Tax for British Columbia – Questions and Answers on Transitional Rules for Non-Residential Real Property Situated in British Columbia*  
Notice247      *Harmonized Sales Tax for Ontario and British Columbia - Questions and Answers on General Transitional Rules for Personal Property and Services*

### ***GST/HST forms***

GST498      *GST/HST Rebate Application for Foreign Representatives, Diplomatic Missions, Consular Posts, International Organizations, or Visiting Forces Units*



## **GST/HST policy statements**

P-254 *Fertilizer and/or Pesticide Supplied Together with an Application Service*

## **Excise duty forms**

B256 *General Application for Refund of Excise Duty Under the Excise Act 2001*

B261 *Excise Duty Return – Duty Free Shop*

B262 *Excise Duty Return – Excise Warehouse Licensee*

## **Excise taxes and special levies forms**

N10 *Refund – Credit Claim*

## **Softwood lumber products export charge notices**

SWLN16 *Surge Charge - Alberta Region (September 2009)*

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at [www.cra.gc.ca/gsthstech](http://www.cra.gc.ca/gsthstech).

## **Enquiries**

**For online access to account balances, transactions and more** for your GST/HST, softwood lumber products export charge, air travellers security charge as well as excise taxes and duty accounts, visit [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

**For general information and to make enquiries regarding your account** (except for softwood lumber products export charge accounts), call Business Enquiries at 1-800-959-5525.

**For enquiries regarding your softwood lumber products export charge account**, call 1-800-935-0313.

**To make enquiries regarding the status of specific GST/HST domestic rebate claims**, call 1-800-565-9353.

**For GST/HST technical enquiries** call GST/HST Rulings at 1-800-959-8287.

## **Forms and publications**

To access forms and publications online visit [www.cra.gc.ca/orderforms](http://www.cra.gc.ca/orderforms).

To order forms and publications by telephone call 1-800-959-2221.

## **Are you a GST/HST registrant located in Quebec?**

To make an enquiry or obtain information on the GST/HST, contact Revenu Québec at 1-800-567-4692 or visit their Web site at [www.revenu.gouv.qc.ca](http://www.revenu.gouv.qc.ca).

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), First Nations goods and services tax (FNGST) and First Nations tax (FNT), softwood lumber products export charge, air travellers security charge (ATSC) as well as excise taxes and duties. If you would like to receive a link to each new edition of the *Excise and GST/HST News* as it is published, subscribe to the electronic mailing list.

This publication is provided for information purposes only and does not replace the law, either enacted or proposed. Please note that any commentary in this newsletter regarding proposed measures should not be taken as a statement by the CRA that such measures will in fact be enacted into the law in their current form. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, ON K1A 0L5.



## Excise and GST/HST News

No. 75

Winter 2010

## Table of Contents

Ontario and British Columbia HST .....	1
New electronic filing requirements for GST/HST registrants .....	2
Definition of "financial service" .....	3
Reminder for large business GST/HST registrants to account for the First Nations goods and services tax (FNGST) .....	4
Enhanced filing options for GST/HST rebate filers .....	5
Prescribed rates of interest .....	6
What's new in publications .....	6
Enquiries .....	8

**Ontario and British Columbia HST**

Since the previous edition of the *Excise and GST/HST News* (Fall No. 74), Bill C-62, *An Act to amend the Excise Tax Act (Provincial Choice Tax Framework Act)* received Royal Assent on December 15, 2009, and is now referred to as Statutes of Canada, 2009, c. 32. Bill C-62 amends the *Excise Tax Act* (the Act) to provide the legislative basis for the implementation of the harmonized sales tax (HST) in Ontario and British Columbia. It also provides a framework to accommodate any other province's potential future decision to have the HST apply in that province.

Bill C-62 provides for regulations to be made prescribing rules for HST implementation. These will include transitional rules for the administration and enforcement of the HST in Ontario and British Columbia and among other things, rules relating to new housing rebates, input tax credit recapture, electronic reporting requirements and penalties. These regulations are expected to be announced in the near future.

The Ontario HST legislation, Bill 218, *Ontario Tax Plan for More Jobs and Growth Act, 2009*, received Royal Assent on December 15, 2009. Bill 218 provides the provincial legislative basis for the implementation of the HST in Ontario effective July 1, 2010.

The British Columbia HST legislation has not yet been introduced.

**Publications on Ontario and British Columbia HST**

Two GST/HST Notices have been amended and re-issued to include information in provincial announcements made subsequent to the original publication date of these notices. Please see Notice244, *Harmonized Sales Tax for Ontario – Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in Ontario*, and Notice246, *Harmonized Sales Tax for British Columbia – Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in British Columbia*, which are available on the CRA Web site.

**My Business Account:** View your account balances and transactions, transfer payments, get additional remittance vouchers, calculate a future balance, authorize your employees and representatives, file returns, make online requests for financial transactions, and more. Go to [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

**GST/HST NETFILE:** Faster processing and refunds, immediate confirmation of receipt, and no postal costs. Visit [www.cra.gc.ca/gsthst-netfile](http://www.cra.gc.ca/gsthst-netfile).

La version française de la présente publication est intitulée *Nouvelles sur l'accise et la TPS/TVH*.

Canada Revenue  
AgencyAgence du revenu  
du Canada

Canada



The following Info sheets about the Ontario and British Columbia HST have also been published:

- GI-053, *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Freight Transportation Services*
- GI-054, *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Passenger Transportation Services*
- GI-055, *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Transportation Passes*
- GI-056, *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Services*
- GI-057, *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Memberships*
- GI-058, *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Admissions*
- GI-059, *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Intangible Personal Property*

On February 1, 2010, the Ontario Ministry of Revenue released a new Information Notice, *Harmonized Sales Tax Information Notice 5, Temporary Recapture of Input Tax Credits Requirement*, and on February 19, 2010, the British Columbia Ministry of Finance released a new Tax Information Notice, *HST Notice #4 – Temporary Recapture of Input Tax Credits*. Both publications provide a general description of the proposed temporary restriction on certain input tax credits for large businesses (referred to as the recapture of input tax credits (RITC) requirement or recaptured ITCs).

The CRA, the Ontario Ministry of Revenue, and the Government of British Columbia all have Web sites dedicated to the HST. They can all be accessed through [www.cra.gc.ca/harmonization](http://www.cra.gc.ca/harmonization).

### **New electronic filing requirements for GST/HST registrants**

On January 4, 2010, the CRA announced proposed changes to electronic filing requirements for most GST/HST registrants beginning July 1, 2010.

Currently, only GST/HST registrants who meet the criteria set by the CRA have the option to use electronic filing. As a result of the proposed changes, restrictions will be removed so that all registrants will be able to file electronically.

#### ***Required to file electronically***

Under the new proposed measures, for all reporting periods ending on or after July 1, 2010, the following persons will be required to file their GST/HST returns electronically:

- GST/HST registrants (except for charities) with greater than \$1.5 million in annual taxable supplies, including the annual taxable supplies of all of their associates;
- GST/HST registrants required to recapture input tax credits for the provincial portion of the HST on certain inputs in Ontario or British Columbia; and
- builders affected by the HST transitional housing measures announced by Ontario or British Columbia.

Regulations specifying the persons who will be required to file an electronic return are expected to be announced in the near future.

#### ***Not required to file electronically***

In general, charities and most GST/HST registrants with annual taxable supplies of \$1.5 million or less will not be affected by these changes, although the CRA encourages all GST/HST registrants, regardless of their filing frequency and reporting requirements, to use electronic services.

### **New home builders**

New home builders affected by the HST transitional rules for housing in Ontario or British Columbia will have to file their GST/HST return using GST/HST NETFILE if they have any of the following information to report on their return for a particular reporting period:

- the number of grandparented housing units sold during the reporting period where the purchaser was not entitled to claim a GST/HST new housing rebate or new residential rental property rebate and the total of the sale prices of those units;
- the number of newly constructed or substantially renovated housing units sold during the reporting period that are subject to the HST where those units were previously purchased by the builder as grandparented housing and the total of the purchase prices of those units;
- the transitional tax adjustment that is required to be included in the builder's net tax calculation in respect of grandparented housing that was less than 90% complete as of July 1, 2010; and
- the amount of all provincial transitional new housing rebates claimed for the reporting period (including those assigned to the builder by purchasers).

### **Recapture of input tax credits**

Also effective July 1, 2010, large businesses and certain financial institutions will be required to use a GST/HST NETFILE return to report the recaptured portion of input tax credits attributable to the provincial component of the HST payable in respect of certain property and services acquired in Ontario or British Columbia.

### **More information**

The CRA has recently published a series of questions and answers on the new reporting requirements in GST/HST Notice 249, *Questions and Answers on the New Reporting Requirements for GST/HST Registrants*, which can be found on the CRA Web site.

### **Definition of "financial service"**

On December 14, 2009 the Minister of Finance released a backgrounder containing legislative proposals addressing recent court decisions which may have created uncertainty respecting the scope of the definition of "financial service" in the *Excise Tax Act*.

The legislative proposals reaffirm the longstanding policy intent and clarify that investment management services, facilitatory services and credit management services are not considered financial services under the *Excise Tax Act*, and are therefore generally taxable for GST/HST purposes.

These services, according to the proposed amendments, include the following:

- investment management services comprising the management by one person of the assets or liabilities of another with or without discretionary authority including activities such as
  - research, analysis and advice;
  - determining and directing which assets or liabilities of an investment portfolio are to be acquired or disposed of; and
  - acting to realize performance targets in respect of an investment portfolio;
- facilitatory services that are preparatory to an actual or intended financial service comprising the performance of or the provision of one or more of the following services:
  - market research, product design, document preparation or processing, customer assistance, advertising, promotional or similar activities; and

- the collection, collation or provision of information;
- credit management services in respect of a credit or charge card or similar payment card, or a credit, charge or loan account or an account in respect of any advance, where the service is supplied by one person to another person that is granting or prospectively granting credit, including activities such as
  - credit checking, authorization, valuation;
  - making decisions relating to a grant or an application for a grant of credit;
  - creating and maintaining records relating to a grant or an application for a grant of credit on behalf of the credit provider; and
  - monitoring payment record or dealing with payments.

The proposed amendments would apply to an investment management service, a facilitatory service or a service of managing credit, rendered under an agreement for a supply, if any consideration for the supply becomes due or is paid without becoming due after December 14, 2009. They would also apply to any such service rendered under an agreement for a supply if all the consideration for the supply became due or was paid on or before December 14, 2009, unless the supplier did not, on or before that day, charge, collect or remit any amount as or on account of tax in respect of the supply or in respect of any other supply that includes an investment management service, facilitatory service or a service of managing credit.

GST/HST Notice250, *Proposed Changes to the Definition of Financial Service*, provides more information on these legislative proposals.

### **Reminder for large business GST/HST registrants to account for the First Nations goods and services tax (FNGST)**

The CRA administers the First Nations goods and services tax (FNGST) on behalf of certain Aboriginal governments. As part of the CRA's continuing outreach strategy, all GST/HST registrants (including utility companies providing electricity, natural gas, telephone or cable services) who make taxable supplies of goods and services on lands where an FNGST applies are reminded that they must collect the FNGST from all customers, including Indians. All GST/HST registrants must account for the FNGST in the calculation of net tax when completing their GST/HST returns.

The FNGST is a 5% tax on supplies of goods and services on First Nations lands where the FNGST applies. The FNGST applies to supplies of goods and services to all customers, including Indians, on these lands in the same manner that the GST/HST applies to supplies of goods and services within the rest of Canada. When an FNGST applies to a supply, then the GST does not. If a person is already registered for GST/HST, the person is automatically registered for the FNGST.

The link below provides a list of First Nations that have implemented an FNGST and the dates on which those agreements came into effect: <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/frstntns/fngstpp-eng.html>

If there are circumstances where large business GST/HST registrants have not properly accounted for the FNGST, contact should be made with the registrant's Large File Case Manager to address the matter.

For more information about the FNGST please see CRA Guide RC4365, *First Nations Goods and Services Tax (FNGST)*.



**Enhanced filing options for GST/HST rebate filers**

The CRA has recently published new PDF fillable forms for GST/HST rebates.

The PDF fillable forms allow you to enter required information by either selecting options from drop-down menus or typing directly into the fields. These forms will save time and effort by performing complex calculations and automatically filling the calculated amounts into the required fields. As a result, the information received by CRA will be more accurate, allowing for a quicker processing turnaround.

All fillable fields are highlighted in blue and all mandatory fields are outlined in red. Many fields also have information icons that provide useful information for that specific field as well as a “Help” button at the top of each form that provides additional instructions.

Once you have completed your form you may “Validate and Print” to ensure that the form is filled out accurately. Once all the necessary information is validated, a print dialogue box will open automatically where you can select your preferences and print out your completed form.

At present, the following 19 rebate forms are available as PDF fillable downloads:

- GST66, *Application for GST/HST Public Service Bodies' Rebate and GST Self-government Refund*
- GST115, *GST/HST Refund Application for Tour Packages*
- GST189, *General Application for Rebate of GST/HST*
- GST190, *GST/HST New Housing Rebate Application*
- GST190A, *GST/HST New Housing Rebate – Appendix A*
- GST191, *GST/HST New Housing Rebate Application for Owner-Built Houses*
- GST191-WS, *Construction Summary Worksheet*
- GST192, *GST/HST Transitional Rebate Application for Builders of New Housing on Leased Land*
- GST193, *GST/HST Transitional Rebate Application for Purchasers of New Housing*
- GST288, *Supplement to Form GST189, Form GST386 and Form GST498*
- GST386, *Rebate Application for Foreign Conventions*
- GST495, *Rebate Application for Provincial Part of Harmonized Sales Tax (HST)*
- GST498, *GST/HST Rebate Application for Foreign Representatives, Diplomatic Missions, Consular Posts, International Organizations, or Visiting Forces Units*
- GST507, *Third Party Authorization and Cancellation of Authorization for GST/HST Rebates*
- GST518, *GST/HST Specially Equipped Motor Vehicle Rebate Application*
- GST521, *GST/HST Multi-Employer Pension Plan Trust Rebate Application*
- GST523-1, *Non-profit Organizations – Government Funding*
- GST524, *GST/HST New Residential Rental Property Rebate Application*
- GST525, *Supplement to the New Residential Rental Property Rebate Application – Multiple Units*

The CRA is continuously updating and adding new GST/HST forms, so we encourage you to visit the forms site at [www.cra.gc.ca/forms](http://www.cra.gc.ca/forms).

## Prescribed rates of interest

The prescribed annual rate of interest in effect from January 1, 2010 to March 31, 2010, on overdue amounts payable to the Minister is 5%. The prescribed annual rate of interest on amounts owed by the Minister (i.e., rebates or refunds) is 3%. These rates are applicable to income tax, excise tax, the softwood lumber products export charge, GST/HST and the air travellers security charge (ATSC) and excise duty on wine, spirits and tobacco.

The prescribed annual rate of interest respecting excise duty on beer, on overdue amounts payable for the indicated period, is set at 3%. Refund interest rates are not applicable for amounts owed by the Minister (i.e., rebates or refunds) for excise duty that is in relation to beer.

Period	Income Tax, Excise Tax, Softwood Lumber Products Export Charge, GST/HST and ATSC, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)
	Refund Interest	Arrears and Instalment Interest	Arrears Interest
<b>2010</b>			
January 1 – March 31	3%	5%	3%
<b>2009</b>			
October 1 – December 31	3%	5%	3%
July 1 – September 30	3%	5%	3%
April 1 – June 30	3%	5%	3%
January 1 – March 31	4%	6%	4%

Prescribed interest rates for previous years are available on the CRA Web site at [www.cra.gc.ca/interestrates](http://www.cra.gc.ca/interestrates).

## What's new in publications

The following is a list of new or revised excise and GST/HST forms and publications.

### ***GST/HST forms***

GST498	<i>GST/HST Rebate Application for Foreign Representatives, Diplomatic Missions, Consular Posts, International Organizations, or Visiting Forces Units</i>
RC1A	<i>Business Number (BN) - GST/HST Account Information</i>
RC1C	<i>Business Number (BN) - Import/Export Account Information</i>

### ***GST/HST guides***

RC4034	<i>GST/HST Public Service Bodies Rebate - Includes Form GST66</i>
--------	---

### ***GST/HST info sheets***

GI-052	<i>Direct Selling Industry - The Network Sellers Method for Network Sellers and Sales Representatives</i>
GI-053	<i>Ontario and British Columbia: Transition to the Harmonized Sales Tax – Freight Transportation Services</i>
GI-054	<i>Ontario and British Columbia: Transition to the Harmonized Sales Tax – Passenger Transportation Services</i>
GI-055	<i>Ontario and British Columbia: Transition to the Harmonized Sales Tax – Transportation Passes</i>
GI-056	<i>Ontario and British Columbia: Transition to the Harmonized Sales Tax – Services</i>
GI-057	<i>Ontario and British Columbia: Transition to the Harmonized Sales Tax – Memberships</i>
GI-058	<i>Ontario and British Columbia: Transition to the Harmonized Sales Tax – Admissions</i>

GI-059 *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Intangible Personal Property*

**GST/HST memoranda**

27-3 *Foreign Convention and Tour Incentive Program – Rebate for Eligible Tour Packages and Accommodation Supplied as Part of Eligible Tour Packages*

**GST/HST notices**

Notice244 *Harmonized Sales Tax for Ontario - Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in Ontario (revised)*

Notice246 *Harmonized Sales Tax for British Columbia - Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in British Columbia (revised)*

Notice248 *Application of the GST/HST to Supplies of In Vitro Diagnostic Test Kits*

Notice249 *Questions and Answers on the New Reporting Requirements for GST/HST Registrants*

Notice250 *Proposed Changes to the Definition of Financial Service*

**GST/HST policy statements**

P-119 *Trailer Commission Servicing Fees (note added)*

P-239 *Meaning of the term 'arranging for' as provided in the definition of 'financial service' (note added)*

**Excise rates**

*Listing of Vehicles and Associated Tax Rates for 2010 - (ETSL64, Imposition of Excise Tax on Fuel-Inefficient Vehicles)*

**Excise tax and special levies forms**

N15 *Application for Refund/ Deduction of Excise Taxes*

**Excise duty forms**

E681 *Excise Act 2001 Refund Claim on Exported Tobacco Products*

**Excise duty memoranda**

EDM2-2-4 *Approved Financial Institutions and Acceptable Bonding Companies*

**Excise duty notices**

EDBN14 *K50B Filing and Payment Schedules for Brewers (2010-2011)*

**Softwood lumber products export charge notices**

SWLN17 *Surge Charge - Alberta Region (October 2009)*

SWLN18 *Surge Charge - Alberta Region (November 2009)*

SWLN19 *Notice to Independent Remanufacturers - Calculation of Export Price*

SWLN20 *Surge Charge - Alberta Region (December 2009)*

SWLN21 *Surge Charge - Alberta Region (January 2010)*

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at [www.cra.gc.ca/gsthsttech](http://www.cra.gc.ca/gsthsttech).



## Enquiries

For online access to account balances, transactions and more for your GST/HST, softwood lumber products export charge, air travellers security charge as well as excise taxes and duty accounts, visit [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

For general information and to make enquiries regarding your account (except for softwood lumber products export charge accounts), call Business Enquiries at 1-800-959-5525.

For enquiries regarding your softwood lumber products export charge account, call 1-800-935-0313.

To make enquiries regarding the status of specific GST/HST domestic rebate claims, call 1-800-565-9353.

For GST/HST technical enquiries call GST/HST Rulings at 1-800-959-8287.

## Forms and publications

To access forms and publications online visit [www.cra.gc.ca/orderforms](http://www.cra.gc.ca/orderforms).

To order forms and publications by telephone call 1-800-959-2221.

## Are you a GST/HST registrant located in Quebec?

To make an enquiry or obtain information on the GST/HST, contact Revenu Québec at 1-800-567-4692 or visit their Web site at [www.revenu.gouv.qc.ca](http://www.revenu.gouv.qc.ca).

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), First Nations goods and services tax (FNGST) and First Nations tax (FNT), softwood lumber products export charge, air travellers security charge (ATSC) as well as excise taxes and duties. If you would like to receive a link to each new edition of the *Excise and GST/HST News* as it is published, subscribe to the electronic mailing list.

This publication is provided for information purposes only and does not replace the law, either enacted or proposed. Please note that any commentary in this newsletter regarding proposed measures should not be taken as a statement by the CRA that such measures will in fact be enacted into the law in their current form. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, ON K1A 0L5.



## Table of Contents

The Harmonized Sales Tax in Ontario and British Columbia .....	2
How HST will work in Ontario and British Columbia.....	2
Self-assessing HST on goods brought into Ontario or British Columbia.....	3
Self-assessing HST on services and intangible personal property received outside a province for use inside a participating province .....	3
Collecting First Nations taxes on reserves in British Columbia .....	3
Taxable supplies made to foreign representatives and diplomatic missions.....	4
Imports.....	4
Exports.....	5
Financial services.....	5
Payment of GST/HST by British Columbia and Ontario on government purchases .....	5
Temporary recapture of input tax credits.....	6
Rebates .....	6
Transitional rules for personal property and services.....	8
Place of supply rules.....	12
Invoicing requirements.....	12
Real Property and the HST .....	12
Grandparented agreements.....	13
Transitional tax adjustment.....	13
Provincial transitional new housing rebates.....	14
Disclosure requirements for builders and resellers.....	14
Sales of real property.....	15
Rentals of real property .....	15
Progress payments and holdbacks.....	15
Other real property matters.....	15
Nova Scotia HST rate increase .....	16
Introduction of Bill C-9 .....	16
GST/HST and cosmetic medical procedures.....	16
Air Travellers Security Charge (ATSC) rate change.....	17
New electronic filing requirements for GST/HST registrants .....	17
Ships' Stores Regulations .....	18
Reminder - GST/HST return line 101 .....	18
No tolerance for the abuse of trust funds.....	18
Change to the GST/HST wash transaction policy.....	19
Prescribed rates of interest .....	20
What's new in publications.....	20
Enquiries .....	22

**My Business Account:** View your account balances and transactions, transfer payments, get additional remittance vouchers, calculate a future balance, authorize your employees and representatives, file returns, make online requests for financial transactions, and more. Go to [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

**GST/HST NETFILE:** Faster processing and refunds, immediate confirmation of receipt, and no postal costs. Visit [www.cra.gc.ca/gsthst-netfile](http://www.cra.gc.ca/gsthst-netfile).

La version française de la présente publication est intitulée *Nouvelles sur l'accise et la TPS/TVH*.



Canada Revenue  
Agency

Agence du revenu  
du Canada

Canada

## **The Harmonized Sales Tax in Ontario and British Columbia**

As noted in *Excise and GST/HST News* No.74, Ontario and British Columbia have announced harmonization of their current provincial retail sales taxes with the GST (Ontario on March 26, 2009 and British Columbia on July 23, 2009). The federal government has passed the necessary legislation and will be introducing additional regulations. Ontario and British Columbia have also passed the necessary provincial legislation.

Harmonization in Ontario and British Columbia will result in a single value-added tax in those provinces called the harmonized sales tax (HST) to take effect on July 1, 2010. The HST is already in effect in Nova Scotia, New Brunswick, and Newfoundland and Labrador. Provinces in which the HST is in effect are called “participating provinces.”

This special edition of the *Excise and GST/HST News* will give an overview of some of the most important aspects of the proposed HST in Ontario and British Columbia. It contains important information to all GST/HST registrants across Canada who make taxable sales and purchases between Ontario and British Columbia and other provinces. It also refers to sources of more detailed information.

Please note that the CRA has created a Web page, [www.cra.gc.ca/harmonization](http://www.cra.gc.ca/harmonization), which contains detailed information about the Ontario and British Columbia HST. Visit this Web site to sign up for in-person seminars, to view videos and to access HST technical publications. You may also subscribe to the HST electronic mailing list ([www.cra.gc.ca/lists](http://www.cra.gc.ca/lists)) or RSS feed ([www.cra.gc.ca/rssfeeds](http://www.cra.gc.ca/rssfeeds)). To reach the CRA by telephone, call 1-800-959-5525 (TTY 1-800-665-0354).

## **How HST will work in Ontario and British Columbia**

The HST will apply a single rate of 13% for Ontario and 12% for British Columbia to generally the same base of property and services as the GST. This rate will consist of a 5% federal part, and an 8% provincial part for Ontario and a 7% provincial part for British Columbia. The CRA and the Canada Border Services Agency (CBSA) will administer the HST.

Businesses registered for the GST will automatically be registered for HST purposes, and will be required to collect and remit the HST on any taxable (other than zero-rated) supplies they make in the participating provinces, including supplies shipped or mailed to recipients in these provinces. Registrants will also be entitled to claim input tax credits for the HST paid on purchases they make in relation to their commercial activities in these provinces with some limitations for large business enterprises.

When reporting the tax, registrants will generally not have to identify the federal and provincial parts of the HST separately. Also, registrants will not have to separately track tax collectible or payable at the 5% GST rate or the HST rate. Current GST reporting requirements will apply under the harmonized system for the remittance of tax, returns, fiscal periods, and reporting periods, although some registrants will be required to file their returns electronically.

Self-assessment rules will generally apply to ensure that the proper amount of HST is paid by persons engaged in non-commercial activities and consumers where property or a service is supplied in a province for consumption, use or supply in a participating province where the provincial part of the HST is higher than in the province where the service or property was originally acquired.

Rebates of the provincial part of the HST will be available in certain circumstances to persons who are not entitled to full input tax credits for the HST they pay.



### ***Self-assessing HST on goods brought into Ontario or British Columbia***

Persons may be required to self-assess the provincial part of the HST when a good is acquired in a non-participating province and then brought into Ontario or British Columbia. The value for self-assessing will generally be the lesser of the consideration paid and the fair market value of the goods. Self-assessment rules will also apply to where a good has been acquired in one participating province and then brought into another with a higher HST rate.

In the case of a specified motor vehicle, which generally includes all motor vehicles other than racing cars, the HST will be paid at the provincial vehicle licensing office using a value established by the provincial authority. If the vehicle had been purchased from a non-registrant, the purchaser will not pay HST but will pay a special provincial levy, 12% for British Columbia and 13% for Ontario, without provision for input tax credits.

### ***Self-assessing HST on services and intangible personal property received outside a province for use inside a participating province***

A resident of a participating province may be required to self-assess the provincial part of the HST on services or intangible personal property supplied outside the province, if the service or property is for consumption, use or supply “significantly” (i.e., 10% or more) in participating provinces where the provincial rate of the HST is higher than in the province where the service or property was acquired. If the service or intangible personal property was acquired in a non-participating province, the provincial rate of the HST will be treated as being 0%, meaning that self-assessment will also apply when services or intangible personal property brought into a participating province from a non-participating province.

The self-assessed tax will generally be calculated based on the extent to which the total consideration paid for the service or intangible personal property reflects the consumption, use or supply of that service or property in each participating province. As a result, an amount must be determined in respect of each participating province where the service or intangible personal property will be consumed, used or supplied.

General exclusions from self-assessment include:

- where HST was imposed at the same rate in the province where the service or intangible personal property was acquired as the province in which the service or property will be consumed, used or supplied;
- where the property or service will be consumed, used or supplied by a registrant exclusively (90% or more) in the course of the registrant's commercial activities (except in respect of acquisitions of specified motor vehicles or registrants using a streamlined accounting method);
- if the purchaser is a selected listed financial institution that is required to use the special attribution method to determine its net tax remittance; or
- telecommunications services.

### ***Collecting First Nations taxes on reserves in British Columbia***

The following information is for vendors making supplies on reserve lands of First Nations in British Columbia that have imposed either a First Nations Tax (FNT) on sales of listed products of alcoholic beverages, fuel and tobacco products, or a First Nations goods and services tax (FNGST).

In participating provinces, the HST consists of a federal part (5%) and a provincial part. Where an FNT or FNGST applies, it is the federal part of the HST (5%) that is replaced either by the FNT or FNGST. There are currently no federally administered First Nations taxes that replace the provincial part of the HST.

An FNT or FNGST only replaces the federal part of the HST. Therefore, if an Indian, Indian band or band-empowered entity were to acquire taxable goods or services on reserve lands where an FNT or FNGST applies, the supply will only be subject to the FNT or the FNGST at the rate of 5%.

Provided the purchaser meets the criteria set out in Technical Information Bulletin (TIB) B-039, *GST/HST Administrative Policy - Application of the GST/HST to Indians*, the provincial part of the HST will be relieved.

GST/HST Notice254, *Collecting First Nations Taxes in a Participating Province*, provides information on how the FNT/FNGST/HST will apply to First Nations, and their members, that have imposed an FNT or FNGST in a participating province.

### ***Taxable supplies made to foreign representatives and diplomatic missions***

Generally, the HST in Ontario and British Columbia will apply in the same way as the GST currently applies to registrants who supply property or services to diplomatic missions, consular posts, international organizations, visiting forces units, diplomatic agents, consular officers, and designated officials of international organizations.

If you are a registrant, you have to charge GST/HST on taxable supplies of property or services you provide to diplomatic missions, consular posts, international organizations, visiting forces units, diplomatic agents, consular officers, and designated officials of international organizations. You have to charge GST/HST whether they make purchases for themselves or their organizations. As these supplies are not relieved of tax under the *Excise Tax Act*, you must collect GST/HST even if they show you a diplomatic identification card. Diplomatic missions and foreign representatives, if eligible, may apply for a rebate of the GST/HST paid to suppliers by completing Form GST498, *GST/HST Rebate Application For Foreign Representatives, Diplomatic Missions, Consular Posts, International Organizations, Or Visiting Forces Units*.

### ***Imports***

There are different rules for how and when the HST will apply to commercial and non-commercial importations. The HST will generally not apply to importations on which the GST does not apply. For more information see GST/HST Notice247, *Harmonized Sales Tax for Ontario and British Columbia - Questions and Answers on General Transitional Rules for Personal Property and Services*.

### **Commercial goods**

Goods accounted for as commercial goods under the *Customs Act*, as administered by the CBSA, that are destined for or imported into Ontario or British Columbia, as well as specified motor vehicles and mobile or floating homes that have been used or occupied in Canada by any individual, will be subject to the 5% GST at the time of importation, unless the importation is relieved under the GST rules. Commercial goods are generally those that are for sale, or for any commercial, industrial, occupational, institutional, or other like use. The HST will not apply to commercial goods at the time of importation. However, in some circumstances, these goods may be subject to the 7% or 8% provincial part of the HST through self-assessment.

### **Non-commercial goods (other than specified motor vehicles)**

Non-commercial goods will be subject to the HST at the time of importation by residents of Ontario or British Columbia regardless of where the resident enters Canada.

The HST will also generally apply to non-commercial importations that are delivered or made available to a person in a participating province, or sent by mail or courier to an address in a participating province.

### **Specified motor vehicles**

Specified motor vehicles will be subject to the 5% GST at the time of importation, and to the 7% or 8% provincial part of the HST at the time the vehicle is registered in one of these provinces in accordance with the laws of that province that relate to the registration of motor vehicles.



## **Services and intangible personal property**

Similar to the self-assessment rules for services and intangible personal property acquired in a province which are subsequently brought into a participating province, services and intangible personal property imported into Canada for consumption, use or supply “significantly” (i.e., 10% or more) in participating provinces may require self-assessment of the provincial portion of the HST, in addition to self-assessment, in some circumstances, of the GST. For more information, see Department of Finance News Release dated February 25, 2010, 2010-014, *Place of Supply, Self-Assessment and Rebate Rules for the Harmonized Sales Tax (HST)*.

## **Exports**

The current zero-rating export provisions and rules for supplies made outside Canada will also apply under the HST in Ontario and British Columbia. As well, the current GST/HST eligibility rules for input tax credits in these circumstances will continue to apply. The existing rebates for artistic works produced for export, certain installation services, and charity exports will also continue to apply.

## **Financial services**

The treatment of financial services under Ontario and British Columbia HST will be consistent with their treatment under the GST. That is, certain financial services will be treated as exempt from tax under the HST, financial service providers will not charge HST on their supplies of exempt financial services, and they will not claim input tax credits for tax paid or payable on inputs acquired to provide exempt financial services.

Selected listed financial institutions (SLFIs), e.g., a bank operating within both participating and non-participating provinces, will generally be required to use a special attribution method to determine their HST liability in the participating provinces.

On May 19, 2010, the Department of Finance released proposed changes to the HST rules for certain financial institutions, relating to the calculation of the provincial component of the HST. Included in these proposed changes are:

- modifications to the definition of SLFIs for HST purposes, to ensure that the rules achieve the intended result in the context of the expanded and modernized HST framework (e.g., under the proposed changes, a bank would also be a SLFI if it has a permanent establishment in two or more participating provinces);
- modifications to the rules for determining provincial attribution percentages for each specific type of SLFI in order to better reflect the consumption of financial services in each province; and
- special transitional rules for SLFIs in respect of the implementation of the Ontario and British Columbia HST.

The proposed changes are intended to provide for a level playing field for financial institutions in terms of where they purchase their business inputs and to ensure that the appropriate amount of tax is collected for participating provinces.

The proposed changes and the related background are on the Finance Web site at [www.fin.gc.ca](http://www.fin.gc.ca) under “News”.

## **Payment of GST/HST by British Columbia and Ontario on government purchases**

Under the respective sales tax harmonization agreements entered into by the federal government and the governments of Ontario and British Columbia, each province has agreed that effective July 1, 2010, all of their respective government ministries, agencies, boards, commissions and Crown corporations will pay GST/HST on their purchases of taxable property and services. Please refer to GST/HST Info Sheet GI-073, *Ontario and British Columbia: Transition to the Harmonized Sales Tax - Payment of the GST/HST by Ontario and B.C.*



*Government Entities* for more information on how the HST transitional rules apply to payments received by registrants with respect to taxable supplies made to an Ontario or British Columbia government entity.

### **Temporary recapture of input tax credits**

Generally, registrants in Ontario and British Columbia will be able to claim input tax credits (ITCs) for the HST they pay or owe on purchases of goods or services to the extent that they were acquired for consumption, use or supply in their commercial activities.

However, those making taxable supplies totalling more than \$10 million annually (including taxable supplies by associated persons), and certain listed financial institutions, will have to recapture the provincial part of ITCs available in respect of HST payable on specified properties and services that are acquired or brought into Ontario or British Columbia for consumption or use in those provinces. A public service body will not be required to recapture ITCs. Similarly, a person whose chief source of income is farming will not recapture ITCs in respect of property and services used or consumed in farming activities.

Specified properties and services generally includes road vehicles, fuel used in road vehicles (only in Ontario), energy, telecommunication services, and meal and entertainment expenses. The recapture of ITCs will not apply to specified properties and services that are:

- energy costs that qualify as scientific research and development or that are used in the production of goods;
- acquired for re-supply; or
- acquired to be incorporated into tangible personal property for re-supply.

After five years, the recapture will begin to be phased out. The recapture percentage will be reduced from 100% for HST paid or payable during the following periods:

July 1, 2015 to June 30, 2016	75%
July 1, 2016 to June 30, 2017	50%
July 1, 2017 to June 30, 2018	25%
On or after July 1, 2018	0%

For more information see GST/HST Technical Information Bulletin B-104, Harmonized Sales Tax – Temporary Recapture of Input Tax Credits in Ontario and British Columbia. More information on the temporary recapture of ITCs as it applies to selected listed financial institutions is published in the Department of Finance backgrounder entitled *Financial Institution Rules for the Harmonized Sales Tax (HST)*.

### **Rebates**

#### **General**

A rebate of the provincial part of the HST will be available to certain persons who remove eligible goods from Ontario or British Columbia to a non-participating province or from one participating province to another participating province with a lower HST rate. This rebate will not apply to those listed financial institutions that use the special attribution method to equalize provincial tax differences.

To qualify for the rebate, a person must remove the goods from the participating province within 30 days from the date the goods are delivered to the person, be a resident of the destination province, and in the case of removal to a non-participating province, provide proof that applicable provincial sales tax has been paid in the destination province. In addition:

- the goods must be for consumption, use or supply exclusively outside the participating province where the goods were acquired;

- an application must be made within one year after the day the goods were removed from the participating province;
- the person was not otherwise eligible for an ITC or other rebate, and each receipt for an eligible good shows a minimum eligible amount of tax of \$5; and
- the total amount of tax for which a single rebate application is made must be at least \$25.

In the case of a specified motor vehicle, the person does not have to be resident in the destination province.

A rebate will also be available for the provincial part of the HST paid on services and intangible personal property supplied in a participating province if the service or property is significantly (10% or more) for consumption, use or supply in a participating province with a lower HST rate than the province, in which the service or property was acquired, or a non-participating province. The rebate amount will be based on the extent that the consideration reflects the consumption, use or supply of the service or intangible personal property in each province with a lower provincial rate of HST than the province of acquisition. If the service or intangible personal property was consumed, used or supplied in a non-participating province, the provincial rate of the HST will be treated as being 0%.

Another rebate will be available for employee and partner expenses. For more information on these rebates, contact GST Rulings at 1-800-959-8287.

### Public service bodies

A rebate of the provincial part of the HST will be available to public service bodies on the non-recoverable HST they incur in Ontario and British Columbia. The following table summarizes the rebate percentages available:

Type of public service body:	Federal part of HST (existing)	Ontario part of HST	British Columbia part of HST
Charity and qualifying non-profit organization	50%	82%	57%
Municipalities	100%	78%	75%
Hospitals	83%	87%	58%
Facility operators and external suppliers	83%	87%	58%
Schools	68%	93%	87%
Universities and public colleges	67%	78%	75%

### Point-of-sale rebates

Effective July 1, 2010, a point-of-sale rebate of the Ontario part of the HST applies on certain qualifying printed books<sup>1</sup>, children's clothing, children's footwear, children's car seats, children's diapers, feminine hygiene products, certain printed newspapers and certain prepared food and beverages sold for immediate consumption and for \$4 or under. A similar rebate has been announced for the British Columbia part of the HST on qualifying motor fuel, printed books, certain children's clothing, footwear, diapers and car seats, and feminine hygiene products.

For more information on the point-of-sale rebates see the following GST/HST info sheets:

- GI-060, *Harmonized Sales Tax for Ontario - Point-of-Sale Rebate on Newspapers*;
- GI-061, *Harmonized Sales Tax for British Columbia - Point-of-Sale Rebate on Motor Fuels*;

<sup>1</sup> There is also the Federal Book Rebate, which may be claimed, for the Federal portion of the HST on certain printed books purchased by certain specified persons (municipalities, school authorities, etc.). For further details see Memorandum 13.4, *Rebates for Printed Books, Audio Recordings of Printed Books, and Printed Versions of Religious Scriptures*.

- GI-062, *Harmonized Sales Tax for Ontario, British Columbia and Nova Scotia - Point-of-Sale Rebate on Feminine Hygiene Products*;
- GI-063, *Harmonized Sales Tax for Ontario, British Columbia and Nova Scotia - Point-of-Sale Rebate on Children's Goods*;
- GI-064, *Harmonized Sales Tax for Ontario - Point-of-Sale Rebate on Prepared Food and Beverages*; and
- GI-065, *Harmonized Sales Tax for Ontario and British Columbia - Point-of-Sale Rebate on Books*

### **Transitional rules for personal property and services**

#### **Goods, services and intangible personal property**

Since GST and HST are charged when consideration becomes due, or is paid without becoming due, for supplies of goods, services and intangible personal property, HST in Ontario and British Columbia will apply to any consideration that becomes due, or is paid without becoming due, on or after July 1, 2010. In addition, the provincial portion of the HST will generally apply to non-commercial goods that are imported into Canada, or accounted for under the *Customs Act*, by a resident of Ontario or British Columbia on or after July 1, 2010.

Generally, HST will also apply to consideration that becomes due, or is paid without becoming due, from May 1, 2010 to June 30, 2010 if:

- ownership and possession of goods sold are both transferred on or after July 1, 2010;
- the consideration is attributable to part of a lease interval that begins on or after July 1, 2010; or
- the consideration is attributable to services performed on or after July 1, 2010.

The supplier will remit the provincial part of the HST as if it had become due on July 1, 2010. Likewise, the recipient of the supply will become eligible to claim any available ITCs as if the HST became due on July 1, 2010.

HST in Ontario and British Columbia will generally also be payable on consideration for supplies of intangible personal property, where the earlier of the date the consideration becomes due, or is paid without having become due, is on or after July 1, 2010.

#### **Imported taxable supplies**

Transitional rules also apply in respect of imported supplies of goods in particular circumstances, as well as imported services and intangible personal property.

In the case of goods that qualify as “imported taxable supplies” under the Act, HST will apply to consideration that becomes due, or is paid without becoming due, on or after May 1, 2010, where the supply is made to a resident of Ontario or British Columbia, or to a GST/HST registrant if the goods are delivered or made available, or physical possession is transferred in Ontario or British Columbia, to the extent that the consideration is for goods that are delivered or made available, or transferred on or after July 1, 2010.

HST will also apply to consideration that becomes due, or is paid without becoming due, on or after May 1, 2010, in respect of “imported taxable supplies” that are intangible personal property supplied by lease, licence or similar arrangement or services, where the supply is made to a resident of Ontario or British Columbia for consumption, use or supply “significantly” (i.e., generally 10% or more) in the participating provinces to the extent that the consideration is for portion of the lease interval in respect of the property that occurs on or after July 1, 2010 or the part of the service performed after June 2010.

#### **Further information**

The CRA has developed a GST/HST Notice and several info sheets to explain whether the GST or HST applies to supplies of personal property and services. These documents include:

- GST/HST Notice 247, *Harmonized Sales Tax for Ontario and British Columbia – Questions and Answers on General Transitional Rules for Personal Property and Services*;



- GI-053, *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Freight Transportation Services;*
- GI-054, *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Passenger Transportation Services;*
- GI-055, *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Transportation Passes;*
- GI-056, *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Services;*
- GI-057, *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Memberships;*
- GI-058, *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Admissions;*
- GI-059, *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Intangible Personal Property;*
- GI-069, *Ontario and British Columbia: Transition to the Harmonized Sales Tax - Direct Sellers and Independent Sales Contractors;*
- GI-070, *Ontario and British Columbia: Transition to the Harmonized Sales Tax - Goods; and*
- GI-071, *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Tour Packages.*

For information on real property transactions please see the article “*Real property and the HST*” in this newsletter.

### **Common enquiries**

In addition, the following are examples of how the transitional rules apply in situations for which the CRA has received frequent enquiries.

### **Annual golf dues**

One of the more common questions asked about the transitional rules involves the application of the HST to golf membership fees (i.e., annual golf dues) for the 2010 golf season that straddles the July 1, 2010 implementation date.

When a golf membership fee becomes due, or is paid without having become due, on or after May 1, 2010, HST applies to an amount that relates to the portion of the membership period that is on or after July 1, 2010 (unless 90% or more of the membership period is before July 2010).

The application of HST to initiation fees is a question of fact. These fees could be for a membership, for a right to a membership or for some other right.

### **Deposits paid before May 2010**

Some businesses require that their customers give deposits with respect to supplies of property or services that take place at a later date. A common question from businesses is whether the HST applies to deposits made before May 2010 for supplies of property or services that take place on or after the July 1, 2010 implementation date.

Generally, before GST/HST can apply to a supply of property or services, there must be consideration payable for the supply. A deposit given by a customer is not consideration unless and until the supplier applies the deposit as consideration for the supply. At the time the supplier applies the deposit as consideration for the supply, the supplier must determine the earlier of when that consideration becomes due, or is paid without having become due, for purposes of applying the transitional rules.

### **Example**

A business requires that a customer give a deposit on April 15, 2010 for the supply of a service that will be entirely performed on or after July 1, 2010 and the business does not apply the deposit as consideration for the supply at the time the deposit is given. The supplier applies the deposit as consideration for the supply on April 30, 2010 but does not issue an invoice in respect of the supply until May 5, 2010. Under the transitional rules for services entirely performed on or after July 1, 2010, HST applies when the consideration for the service becomes due, or is paid without having become due, on or after May 1, 2010. In this example, the consideration for the supply becomes due on May 5, 2010 (i.e., the date of the invoice) but the consideration is paid without having become due on April 30, 2010 (i.e., the day the supplier applies the deposit as consideration for the supply). Since April 30, 2010 is the earlier of the two days, and is before May 2010, the supplier would charge only the GST on the amount.

If, in the above example, the supplier had applied the deposit as consideration for the supply on May 4, 2010, the consideration for the supply would have been paid without having become due on May 4, 2010. Since May 4, 2010 is the earlier of the two days (the other day being May 5, 2010 when the consideration becomes due), and is on or after May 1, 2010, HST would have applied to the amount.

### **Gift certificates**

Some businesses issue or sell gift certificates that may be used by persons to receive certain property or services at a later time. A common question from businesses is whether HST applies to the issuance or sale of a gift certificate.

The issuance or sale of a gift certificate for consideration is not considered to be a supply for GST/HST purposes, and therefore, neither GST nor HST applies at the time the gift certificate is issued or sold. However, when a gift certificate is given as consideration for a supply of property or a service, the gift certificate is considered to be money. Therefore, at the time a person gives the gift certificate to the business as consideration for a supply of property or a service, the business will have to apply the transitional rules applicable to the type property or service being supplied to determine whether HST applies.

### **Example**

The operator of a spa in Ontario sells a \$50 gift certificate to a customer on May 25, 2010. The operator of the spa does not charge either GST or HST on the sale of the \$50 gift certificate. The customer gives the gift certificate to another individual who visits the spa on June 12, 2010 and receives a \$75 spa service. The individual gives the gift certificate to the operator of the spa as consideration for the spa service. Because 90% or more of the spa service is performed before July 2010, the operator of the spa charges \$3.75 GST on the spa service ( $5\% \times \$75 = \$3.75$ ) and applies the gift certificate to the amount payable by the individual.

### **Memberships**

Some provincial organizations issue invoices for annual memberships fees during April 2010 for a membership period that straddles the July 1, 2010 implementation date. However, these provincial organizations do not receive payment of the annual membership fees until a day that is on or after July 1, 2010. A common question from these provincial organizations is whether the HST applies to the annual membership fees when more than 10% of the membership year occurs on or after July 1, 2010.

The consideration for the supply of the memberships becomes due the earliest of: the day the provincial organization first issues an invoice for the annual membership fees; the date of the invoice; the day the provincial organization would have, but for an undue delay, issued an invoice for the annual membership fees; and the day the member is required to pay the annual membership fees pursuant to a written agreement.

When the annual membership fees become due, or are paid without having become due, before May 2010, GST applies to the full amount, despite that a portion of the membership period is on or after July 1, 2010.

### **Multi-pack golf green fees**

Some golf course operators sell multi-packs of golf green fees that give purchasers the right to use a golf course during the 2010 golf season that straddles the July 2010 implementation date. A common question from golf course operators is how to determine whether the HST applies, given that at the time they supply the multi-packs they do not necessarily know when the purchasers will use the golf course.

The golf course operators are considered to be supplying real property by way of lease or licence. Generally, the CRA will take into account the portion of the 2010 golf season that remains on or after July 1, 2010 for purposes of determining the portion of a lease interval that occurs on or after July 1, 2010. Therefore, when an amount for



the multi-packs becomes due, or is paid without having become due, on or after May 1, 2010, HST applies to any amount that relates to the portion of the 2010 golf season that remains on or after July 1, 2010.

### ***Passes to unspecified events***

Some theatre operators sell passes to one or more unspecified events during the 2010 theatre season that straddles the July 1, 2010 implementation date. Typically, these passes may be used by purchasers to receive admission to live performances that take place before July 2010 and/or that take place on or after July 1, 2010. A common question from theatre operators is how to determine whether the HST applies, given that at the time they sell the passes they do not necessarily know which events the purchasers will attend.

The theatre operators are selling admissions. Generally, the CRA will take into account the portion of the 2010 theatre season that remains on or after July 1, 2010 for purposes of determining the portion of an event that takes place on or after July 1, 2010. Therefore, when an amount for the admissions becomes due, or is paid without having become due, on or after May 1, 2010, HST applies to any amount that relates to the portion of the 2010 theatre season that remains on or after July 1, 2010.

### ***Passes (other than transportation passes) with no expiry date***

Some businesses sell passes (other than transportation passes) that may be used by purchasers to receive certain services during unspecified periods of time. A common question from businesses is how to determine whether the HST applies, given that the passes do not have expiry dates.

How the HST will apply to such passes is a question of fact. If the passes give the purchasers the right to receive the services, the businesses are selling intangible personal property. Therefore, HST applies to any amount for the passes that becomes due, or is paid without having become due, on or after July 1, 2010.

If the passes are evidence of prepayment for services, the businesses are selling services. Generally, if there is no expiry date, the CRA will consider the portion of the services performed before July 2010 to be negligible where such services are sold on or after May 1, 2010 and before July 2010. Therefore, when an amount for the services becomes due, or is paid without having become due, on or after May 1, 2010, HST applies to the full amount.

### ***Realtor service fees***

Realtors often charge a service fee for arranging for the sale of a vendor's property. A common question from realtors is how to determine the portion of their service performed on or after July 1, 2010. For example, a realtor and a vendor enter into a listing agreement on May 1, 2010 (the listing date) and the property is conditionally sold on July 15, 2010 (i.e., a firm sale date) but the sale does not become final until August 15, 2010 (i.e., the closing date).

The portion of a realtor's service performed on or after July 1, 2010 is a question of fact and may not necessarily be determined by the firm sale date or the closing date. Realtors should determine the portion their service performed on or after July 1, 2010 in a fair and reasonable manner. When a service fee becomes due, or is paid without having become due, on or after May 1, 2010, HST applies to an amount that relates to the portion of the service that is performed on or after July 1, 2010 (unless 90% or more of the service is performed before July 2010).

### ***Rebates for eligible tour packages and accommodation***

Under the Foreign Convention and Tour Incentive Program (FCTIP), some non-resident persons such as tour operators and sponsors of foreign conventions are entitled to a rebate of, or relief from, the GST paid on eligible property and services supplied in Canada. A common question from these non-resident persons is whether they will be entitled to a rebate of, or relief from, the HST paid on eligible tour packages and accommodation supplied in Ontario or British Columbia.



The existing rebates and tax relief provided under the FCTIP will apply to the HST paid on eligible tour packages and accommodation supplied in Ontario or British Columbia.

### **Place of supply rules**

If under the place of supply rules a supply is made in a participating province, the HST will apply and if the supply is made in a non-participating province, the GST will apply.

New place of supply rules have come into effect on May 1, 2010 and apply to **all provinces**.

Although the rules for tangible personal property and real property have generally remained unchanged, there are significant changes to the rules for intangible personal property and services.

For example, in determining the place of supply for services and intangible personal property, more emphasis will be placed on the home or business address of the recipient and the place of negotiation will no longer be relevant. Where a service is performed will still be relevant in some cases for supplies of some services. There are a number of new rules for specific services including rules for services in relation to real property and goods.

For more information on the revised place-of-supply rules see GST/HST Technical Information Bulletin B-103, *Harmonized Sales Tax Place of Supply Rules for Determining Whether a Supply is Made in a Province* which is based on Department of Finance News Release 2010-014, *Place of Supply, Self-Assessment and Rebate Rules for the Harmonized Sales Tax (HST)* that was released February 25, 2010.

Place of supply regulations are published in Part I of the SOR/2010-117, *New Harmonized Value-added Tax System Regulations* in the Canada Gazette to provide additional information and certainty regarding the proposed place of supply rules. GST/HST Technical Information Bulletin B-103 has been revised to reflect changes in the regulations.

### **Invoicing requirements**

Registrants are reminded of the disclosure requirements when invoicing for GST/HST. Every supplier who is a GST/HST registrant is required to comply with the requirements of section 223 of the *Excise Tax Act*. A registrant who makes a taxable supply, other than a zero-rated supply, is required to indicate on the invoice to the recipient the consideration paid or payable by the recipient for the supply and the amount of tax payable in respect of the supply or where the amount paid or payable by the recipient includes the tax, the registrant must clearly indicate this information on the invoice.

Where the tax is HST and the registrant chooses to indicate either the amount of tax payable or the rate or rates of tax on the invoice, the registrant will also have to indicate the total amount of the HST payable or the total HST rate. The Act requires a supplier, upon request by the recipient, to provide sufficient information to enable the recipient to claim an ITC or rebate in respect of a supply.

For more information about the obligations of registrants and the disclosure of tax, please see GST/HST Memorandum 3-1, *Liability for Tax*.

### **Real Property and the HST**

The GST/HST new housing and new residential rental property rebates will continue to be available for a portion of the GST (the federal part of the HST), for purchasers of newly constructed or substantially renovated housing in Ontario and British Columbia.

The GST/HST new housing rebate is available to individuals who purchase new housing for use as their primary places of residence or that of a relation and where all of the other conditions for claiming this rebate are met. The GST/HST new residential rental property rebate is also available to purchasers or builders of new rental housing that is provided to individuals for use as a place of residence under long-term lease agreements provided that all of the conditions for claiming the rebate are met.

Subject to the same conditions that are in place for the GST/HST new housing rebates and new residential rental property rebates, a rebate of a portion of the provincial part of the HST will also be available for newly constructed or substantially renovated housing regardless of the purchase price or fair market value, as follows:

Participating province	Rebate: Percentage of provincial part of HST	Maximum rebate amount
British Columbia	71.43%	\$26,250
Ontario	75.00%	\$24,000

Where the purchase price of housing exceeds \$450,000, the Ontario and British Columbia new housing rebates may be available where all of the conditions for claiming the rebates are met, even though a GST/HST new housing rebate is not available. For additional details refer to GST/HST Notice244, *Harmonized Sales Tax for Ontario - Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in Ontario*, and GST/HST Notice246, *Harmonized Sales Tax for British Columbia - Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in British Columbia*.

### **Grandparented agreements**

The provincial part of the HST will not apply to grandparented sales of certain newly constructed or substantially renovated housing where a written agreement of purchase and sale is entered into on or before June 18, 2009 (Ontario) or November 18, 2009 (British Columbia), and both ownership and possession of the housing are transferred under the agreement after June 2010. However, the GST will continue to apply to such grandparented sales.

The grandparenting rules do not apply to sales of multiple unit residential complexes (including duplexes) and manufactured homes (including mobile and modular homes). These rules generally apply to sales of residential condominium units and condominium complexes and to sales of single unit residential complexes (detached, semi-detached, units in a row houses) made to individuals.

For additional details refer to: GST/HST Notice244, *Harmonized Sales Tax for Ontario - Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in Ontario*; and GST/HST Notice246, *Harmonized Sales Tax for British Columbia - Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in British Columbia*.

### **Transitional tax adjustment**

A transitional tax adjustment (TTA) applies to grandparented sales of newly constructed or substantially renovated housing. Since grandparented housing will not attract the HST, the builder of such housing will generally be required to include the TTA in its net tax calculation for the same reporting period where the GST is required to be included where more than 10% of the housing construction is completed in full or in part after June 2010. The TTA is designed to impose the approximate amount of the RST/PST (retail sales tax/provincial sales tax) that the provincial government would have collected on the housing had the RST/PST regime remained in place. The TTA is generally based on the consideration payable for the housing (excluding GST and any rebates) and the degree of completion of its construction or substantial renovation as of July 1, 2010.



For a single unit residential complex, the TTA can be calculated by using the following chart. For example, if the consideration payable (excluding GST and any rebates) for a house is \$450,000 and its construction is 85% complete as of July 1, 2010, the TTA to be included in a builder's net tax calculation would be \$900 ( $\$450,000 \times 0.2\%$ ).

Degree of completion of construction or substantial renovation as of July 1, 2010	Transitional tax adjustment rate as a percentage of consideration
Less than 10%	2.0 %
Equal to or greater than 10% and less than 25%	1.5 %
Equal to or greater than 25% and less than 50%	1.0 %
Equal to or greater than 50% and less than 75%	0.5 %
Equal to or greater than 75% and less than 90%	0.2 %
Equal to or greater than 90%	0.0 %

In the case of a residential condominium unit or condominium complex, the percentage used will be 2% regardless of the degree of completion of the construction or substantial renovation of the complex, or where a residential condominium unit is substantially renovated without renovating the condominium complex in which the unit is situated, the degree of completion of the substantial renovation of the unit, as of July 1, 2010.

In all cases, if the consideration payable is less than what the fair market value of the grandparented housing would have been had the housing been 90% completed on the date the written agreement of purchase and sale for the grandparented housing sale was entered into by the purchaser, then the fair market value will be used to calculate the TTA.

For additional details refer to: GST/HST Notice244, *Harmonized Sales Tax for Ontario - Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in Ontario*; and GST/HST Notice246, *Harmonized Sales Tax for British Columbia - Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in British Columbia*.

### **Provincial transitional new housing rebates**

Non-grandparented sales of newly constructed or substantially renovated housing will be subject to the HST where both ownership and possession of the housing are transferred to the purchaser after June 30, 2010. Where the construction or substantial renovation of the housing is completed in full or in part prior to July 2010, the housing will have RST/PST embedded in the cost of the housing since the cost of construction materials acquired before July 2010 will include a certain RST/PST content. The provincial transitional new housing rebate is designed to rebate the estimated RST/PST content of the complex where the sale of the housing, including a deemed sale under the self-supply rules, is subject to the HST, or where the builder of a residential condominium unit or complex is required to remit the TTA.

The provincial transitional new housing rebate in Ontario and British Columbia is based on the estimated RST/PST content of a completed complex. The rebate may be calculated using the consideration method in which case the rebate is equal to 2% of the consideration payable for the housing (or in the case of a self-supply, 2% of the fair market value). Alternatively, the rebate may be calculated based on a prescribed amount per square metre of habitable floor space: \$60/m<sup>2</sup> in British Columbia; and \$45/m<sup>2</sup> in Ontario.

### **Disclosure requirements for builders and resellers**

Where a written agreement of purchase and sale of newly constructed or substantially renovated housing is entered into after June 18, 2009 (Ontario) or after November 18, 2009 (British Columbia), and before



July 1, 2010, the builder must disclose in the agreement whether the provincial portion of the Ontario or British Columbia HST applies, and if so, whether or not the price in the agreement includes that provincial portion net of any rebates. If disclosure is not made, the price is deemed to include the provincial portion and the purchaser is not required to pay the provincial portion in addition to the stated price in the agreement.

If a person makes a taxable resale of new housing it had bought on a grandparented basis or that was relieved from the provincial part of the HST under the reseller's rule, in addition to disclosing the information described in the previous paragraph in the written agreement, the reseller would also have to disclose the name of the original builder and whether or not the reseller had purchased the housing without the purchase being subject to the provincial part of the HST. If such disclosure is not made, the price is deemed to include the provincial portion and the purchaser is not required to pay the provincial portion in addition to the stated price in the agreement. As a result, the builder that did not make the required disclosure will be required to account for the provincial part of the HST in the builder's net tax calculation.

### **Sales of real property**

Sales of real property in Ontario or British Columbia will be subject to HST if, under an agreement of purchase and sale, both ownership and possession of the property are transferred on or after July 1, 2010, regardless of when the consideration becomes due, or is paid without becoming due. In the case of written agreements of purchase and sale for new housing, however, certain grandparented sales as noted above will not be subject to HST.

### **Rentals of real property**

Amounts that become due, or are paid without becoming due, on or after July 1, 2010, for rentals and licences to use real property located in Ontario or British Columbia will generally be subject to the HST. Prepayments made on or after May 1, 2010, and that relate to periods after July 1, 2010 will also generally be subject to the HST. Certain persons will generally have to self-assess the provincial part of the HST on prepayments made after October 14, 2009 and before May 2010 if the prepayment relates to periods on or after July 1, 2010. However, if the prepayment relates to a period before July 1, 2010, it will generally not be subject to HST, however, the GST will apply.

### **Progress payments and holdbacks**

The HST in Ontario and British Columbia would generally apply to progress payments made under contracts for the construction, renovation, alteration or repair of real property or a ship or other marine vessel where the progress payment becomes due after October 14, 2009 to the extent that the payment can reasonably be attributed to property delivered or services performed on or after July 1, 2010. To the extent that a progress payment is subject to HST because it can reasonably be attributed to property delivered or services performed on or after July 1, 2010, any holdback from that payment would also be subject to HST.

### **Other real property matters**

For more detailed information on self-supplies of new rental housing, assignments of agreements to purchase new housing and re-sellers of grandparented housing, please see GST/HST Notice244, *Harmonized Sales Tax for Ontario - Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in Ontario* and GST/HST Notice246, *Harmonized Sales Tax for British Columbia - Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in British Columbia*. The CRA will also be publishing a series of info sheets on residential construction and rebates. To date, the following info sheets have been published:

- GI-077, *Harmonized Sales Tax: Purchasers of New Housing in Ontario*;
- GI-078, *Harmonized Sales Tax: Purchasers of New Housing in British Columbia*;

- GI-081, *Harmonized Sales Tax: Information on Owner-built Homes, Mobile Homes and Floating Homes in British Columbia*;
- GI-082, *Harmonized Sales Tax: Information on Owner-built Homes, Mobile Homes and Floating Homes in Ontario*;
- GI-083, *Harmonized Sales Tax: Information for Builders of New Housing in Ontario*; and
- GI-084, *Harmonized Sales Tax: Information for Builders of New Housing in British Columbia*.

### **Nova Scotia HST rate increase**

As announced in the *Nova Scotia Provincial Budget* on April 6, 2010, the rate of Nova Scotia HST will be increased to 15% effective July 1, 2010. *Transitional Rules for the Nova Scotia HST Rate Increase* are published on the Nova Scotia Finance Web site at [www.gov.ns.ca/finance](http://www.gov.ns.ca/finance).

The *Nova Scotia HST Regulations, 2010* (SOR/2010-99), the regulations required to implement the increase in the Nova Scotia HST rate to 15%, were published in the *Canada Gazette* on May 12, 2010.

Also announced in the budget are point-of-sale rebates for feminine hygiene products and children's goods which are discussed in the following GST/HST info sheets:

- GI-062, *Harmonized Sales Tax for Ontario, British Columbia and Nova Scotia - Point-of-Sale Rebate on Feminine Hygiene Products*, and
- GI-063, *Harmonized Sales Tax for Ontario, British Columbia and Nova Scotia - Point-of-Sale Rebate on Children's Goods*.

### **Introduction of Bill C-9**

On June 8, 2010, Bill C-9, the *Jobs and Economic Growth Act*, received Third Reading in the House of Commons.

It implements certain provisions of the federal Budget 2010 of March 4, 2010, as well as a number of previously announced proposed legislative amendments to the *Excise Tax Act*, the *Excise Act, 2001*, the *Air Travellers Security Charge Act*, and the *Softwood Lumber Products Export Charge Act, 2006* which were included in several Notice of Way and Means Motions and Press Releases issued by the Department of Finance from January 26, 2007 to March 4, 2010.

Previously announced proposed measures relate to, among other things: improvements to the application of GST/HST to the financial services sector, imported taxable supplies, filing and remitting the GST/HST, network sellers, rebates for pension plan trust structures, and excise tobacco stamping.

### **GST/HST and cosmetic medical procedures**

Basic health care services are generally exempt from the GST/HST. The Act states that for GST/HST purposes surgical and dental services performed for cosmetic purposes (and not for medical or reconstructive purposes) are taxable. Cosmetic procedures, as well as goods and services related to these procedures, are not considered to be basic health care and are subject to tax.

As announced in Budget 2010, Bill C-9 proposes to clarify the tax status of cosmetic procedures and devices, or other goods used or provided with cosmetic procedures, and services related to cosmetic procedures. For GST/HST purposes, surgical and non-surgical procedures aimed at enhancing one's appearance are considered to be cosmetic procedures and are taxable. Taxable procedures would generally include procedures such as liposuction, face lifts, hair replacement procedures, botulinum toxin injections for cosmetic purposes, and teeth whitening. Goods and services related to these kinds of procedures would also be subject to tax.

Cosmetic procedures which are necessary for medical or reconstructive purposes such as surgery to ameliorate a deformity arising from, or directly related to, a congenital abnormality, a personal injury resulting from an

accident or trauma, or a disfiguring disease, remain exempt. As well, cosmetic procedures paid for by a provincial health insurance plan will continue to be exempt.

### **Air Travellers Security Charge (ATSC) rate change**

Travellers pay the ATSC on air transportation services for travel within Canada and from Canada to foreign destinations. As confirmed in Budget 2010, new increased ATSC rates apply to any air transportation service purchased on or after April 1, 2010, that includes a chargeable emplanement on or after April 1, 2010, for which any payment is made on or after that date.

### **New ATSC Rates**

Effective April 1, 2010, the ATSC rates are increased as follows:

- For domestic air travel acquired in Canada, where the GST/HST applies at the rate of 5% or 13% for the air transportation service, the ATSC is \$7.12 for each chargeable emplanement, to a maximum of \$14.25. Where the GST/HST does not apply, the ATSC is \$7.48 for each chargeable emplanement, to a maximum of \$14.96.
- For air travel to a destination outside Canada but within the continental zone, where the GST/HST applies at the rate of 5% or 13%, the ATSC is \$12.10 for each chargeable emplanement, to a maximum of \$24.21. Where the GST/HST does not apply, the ATSC is \$12.71 for each chargeable emplanement, to a maximum of \$25.42.
- For air travel to a destination outside the continental zone, the ATSC is \$25.91 where there is a chargeable emplanement. This applies to air transportation that is acquired in or outside Canada.

### **More information**

For specific details regarding these rate increases, please see Excise Taxes and Special Levies Notice ETSL72, *Notice to all Air Carriers – Rate Increases for the Air Travellers Security Charge* or call the Excise Taxes and Other Levies Information Line at 1-866-330-3304.

### **New electronic filing requirements for GST/HST registrants**

Currently, only GST/HST registrants who meet the criteria set by the CRA have the option to use electronic filing. As a result of proposed changes, certain registrants will be required to file electronically and restrictions will be removed so that all registrants will be able to file electronically.

### **Required to file electronically**

Under the proposed measures, for all reporting periods ending on or after July 1, 2010, the following persons will be required to file their GST/HST returns electronically:

- GST/HST registrants (except for charities) with greater than \$1.5 million in annual taxable supplies, including the annual taxable supplies of all of their associates;
- GST/HST registrants required to recapture input tax credits for the provincial portion of the HST on certain inputs in Ontario or British Columbia; and
- builders affected by the HST transitional housing measures announced by Ontario or British Columbia.

The CRA has recently published a series of questions and answers on the new reporting requirements in GST/HST Notice249, *Questions and Answers on the New Reporting Requirements for GST/HST Registrants*, which can be found on the CRA Web site.



---

## **Ships' Stores Regulations**

On February 23, 2010, SOR/2010-36, *Regulations Amending the Ships' Stores Regulations (Canadian Coast Guard)* were registered.

The *Ships' Stores Regulations (Regulations)* provide relief of excise tax and duties to a Canadian Coast Guard (CCG) ship that is proceeding on a voyage to the Arctic in respect of these goods:

- ales and beers, subject to certain restrictions;
- wines and spirits, subject to certain restrictions; and
- domestic or imported cigars and domestic stamped manufactured tobacco or imported manufactured tobacco, subject to certain restrictions.

Section 5 of the schedule to the Regulations has been amended to also provide relief of excise tax for petroleum products and renewable fuels (except lubricants) purchased for use in CCG vessels proceeding outside Canada, effective April 1, 2008. This amendment was published in the Canada Gazette, Part II on March 17, 2010 and is available on the Canada Gazette Web site at: [www.canadagazette.gc.ca](http://www.canadagazette.gc.ca).

## **Reminder - GST/HST return line 101**

It is mandatory to fill in line 101 (sales and other revenue) when you file a GST/HST return for registrants.

Registrants must include on line 101 the total amount of supplies of goods and services, including zero-rated supplies and other revenue shown in their records. Line 101 does not include provincial sales tax, GST, HST or any amounts a registrant reported on a previous return.

In most circumstances, if you collected tax, you will also have an amount to report on line 101. If you had no business sales or other income for the reporting period you must still report \$0 on line 101.

For more information about filing your GST/HST return, please see the CRA Web page GST/HST Returns or call your tax services office.

## **No tolerance for the abuse of trust funds**

Businesses that collect GST/HST must report and pay amounts by specified dates. The CRA is warning businesses about the consequences of failing to report and pay GST/HST amounts held in trust for the Government of Canada.

Businesses that find themselves in difficult financial situations, particularly in times of economic uncertainty, may be tempted to supplement business cash flows by using the federal funds that they hold in trust. Amounts considered to be held in trust, such as GST/HST collected, must not be used as an alternate means of cash flow for a business. The CRA will not tolerate the abuse of funds held in trust. The CRA will use all its legislated powers of recovery to make sure that amounts considered to be held in trust are paid to the government in full and on time.

Businesses have to file their GST/HST returns and make payments on time. Failure to do so may result in the charging of penalties and interest on any returns or amounts that have not been received by the filing due date.

Provisions within the *Excise Tax Act* allow for the recovery of GST/HST amounts by:

- the use of enhanced garnishments to collect amounts considered to be held in trust for the government;
- the assessment of the directors of a corporation for the corporation's failure to pay GST/HST amounts;
- the seizure and sale of assets of a debtor corporation, an assessed director, or a sole proprietor; and
- any other means of recovery allowed under federal legislation.

If you have collected GST/HST amounts and have not remitted them, please contact the CRA as soon as possible to make arrangements to pay the outstanding amounts. For more information on filing, remitting, penalties and interest, and dates, please see *Filing and Remitting – GST/HST* or *GST/HST – Penalties and Interest* on the CRA Web site.

### **Voluntary disclosures**

Businesses that have failed to file returns or pay GST/HST amounts for current or previous years, can voluntarily correct their tax affairs by participating in the Voluntary Disclosures Program. This program promotes compliance with Canada's tax laws by encouraging taxpayers to come forward to correct inaccurate or incomplete tax information, or to disclose information that has not been previously reported to the CRA.

Taxpayers will not be penalized or prosecuted if they make a valid disclosure before they become aware of any compliance action being started by the CRA against them. These taxpayers will have to pay the taxes owing, plus interest. More information can be found on CRA's web-site at [www.cra.gc.ca/voluntarydisclosures](http://www.cra.gc.ca/voluntarydisclosures).

### **Change to the GST/HST wash transaction policy**

A "wash transaction" occurs where a supplier has failed to charge and collect GST/HST from a registrant that is entitled to a full input tax credit.

Currently, when the CRA discovers a wash transaction, the CRA will consider reducing the interest payable with respect to the transaction down to 4% of the transaction amount. The normal interest rules will apply to any unpaid amounts after the date of the assessment.

The change to the current policy applies when a registrant voluntarily reports to the CRA an omission or error that meets the definition of a wash transaction. The CRA will consider reducing the interest payable with respect to the transaction down to 0% of the transaction amount in reporting periods with net tax due after March 31, 2007. The normal interest rules will apply to any unpaid amounts after the date of the assessment.

Registrants seeking this new interest reduction must voluntarily disclose the omission or error in writing to their tax service office.

### **Voluntary disclosures**

Registrants should use Form RC199, *Voluntary Disclosures Program Taxpayer Agreement* to make a disclosure. All conditions for a valid disclosure, except for the penalty condition, must be met in order for the disclosure to be considered for interest reduction under this portion of the wash transaction policy. Find out more information about the CRA voluntary disclosures program at this address: [www.cra.gc.ca/voluntarydisclosures](http://www.cra.gc.ca/voluntarydisclosures).

### **More information**

For more detailed information please see GST/HST Memorandum 16-3-1, *Reduction of Penalty and Interest in Wash Transaction Situations*.

## Prescribed rates of interest

The prescribed annual rate of interest in effect from April 1, 2010 to June 30, 2010, on overdue amounts payable to the Minister is 5%. The prescribed annual rate of interest on amounts owed by the Minister (i.e., rebates or refunds) is 3%. These rates are applicable to income tax, excise tax, the softwood lumber products export charge, GST/HST and the air travellers security charge (ATSC) and excise duty on wine, spirits and tobacco.

The prescribed annual rate of interest respecting excise duty on beer, on overdue amounts payable for the indicated period, is set at 3%. Refund interest rates are not applicable for amounts owed by the Minister (i.e., rebates or refunds) for excise duty that is in relation to beer.

Period	Income Tax, Excise Tax, Softwood Lumber Products Export Charge, GST/HST and ATSC, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)
	Refund Interest	Arrears and Instalment Interest	Arrears Interest
<b>2010</b>			
April 1 – June 30	3%	5%	3%
January 1 – March 31	3%	5%	3%
<b>2009</b>			
October 1 – December 31	3%	5%	3%
July 1 – September 30	3%	5%	3%

Prescribed interest rates for previous years are available on the CRA Web site at [www.cra.gc.ca/interestrates](http://www.cra.gc.ca/interestrates).

## What's new in publications

The following is a list of new or revised excise and GST/HST forms and publications. As a result of the HST in Ontario and British Columbia, CRA forms and publications are constantly being updated. Please check the CRA "What's new" Web site often for the most current versions.

### GST/HST forms

GST32	<i>Election and Revocation of the Election by a Public Sector Body (other than a Charity) to Have Its Exempt Memberships Treated as Taxable Supplies</i>
GST24	<i>Election and Revocation of the Election to Tax Professional Memberships</i>
GST499-1	<i>First Nations Tax (FNT) Schedule</i>

### GST/HST guides

RC4070	<i>Guide for Canadian Small Businesses</i> (revised)
RC4409	<i>Keeping Records</i> (revised)

### GST/HST info sheets

GI-060	<i>Harmonized Sales Tax for Ontario - Point-of-Sale Rebate on Newspapers</i>
GI-061	<i>Harmonized Sales Tax for British Columbia - Point-of-Sale Rebate on Motor Fuels</i>
GI-062	<i>Harmonized Sales Tax for Ontario, British Columbia and Nova Scotia - Point-of-Sale Rebate on Feminine Hygiene Products</i>
GI-063	<i>Harmonized Sales Tax for Ontario, British Columbia, and Nova Scotia - Point-of-Sale Rebate on Children's Goods</i>
GI-064	<i>Harmonized Sales Tax for Ontario - Point-of-Sale Rebate on Prepared Food and Beverages</i>
GI-065	<i>Harmonized Sales Tax for Ontario and British Columbia - Point-of-Sale Rebate on Books</i>
GI-066	<i>How a Charity Calculates the Net Tax to be Reported on its GST/HST Return</i>



GI-067	<i>Basic GST/HST Guidelines for Charities</i>
GI-068	<i>Basic GST/HST Guidelines for Public Institutions</i>
GI-069	<i>Ontario and British Columbia: Transition to the Harmonized Sales Tax - Direct Sellers and Independent Sales Contractors</i>
GI-070	<i>Ontario and British Columbia: Transition to the Harmonized Sales Tax - Goods</i>
GI-071	<i>Ontario and British Columbia: Transition to the Harmonized Sales Tax - Tour Packages</i>
GI-072	<i>HST and First Nations in Ontario and British Columbia</i>
GI-073	<i>Ontario and British Columbia: Transition to the Harmonized Sales Tax – Payment of the GST/HST by Ontario and British Columbia Government Entities</i>
GI-074	<i>Ontario and British Columbia: Transition to the Harmonized Sales Tax - Prepaid Funeral and Cemetery Arrangements and Interment Rights</i>
GI-075	<i>Ontario and British Columbia: Transition to the Harmonized Sales Tax – Returns and Exchanges</i>
GI-076	<i>Ontario and British Columbia: Transition to the Harmonized Sales Tax – Continuous Supplies and Budget Payment Arrangements</i>
GI-077	<i>Harmonized Sales Tax: Purchasers of New Housing in Ontario</i>
GI-078	<i>Harmonized Sales Tax: Purchasers of New Housing in British Columbia</i>
GI-081	<i>Harmonized Sales Tax: Information on Owner-built Homes, Mobile Homes and Floating Homes in British Columbia</i>
GI-082	<i>Harmonized Sales Tax: Information on Owner-built Homes, Mobile Homes and Floating Homes in Ontario</i>
GI-083	<i>Harmonized Sales Tax: Information for Builders of New Housing in Ontario</i>
GI-084	<i>Harmonized Sales Tax: Information for Builders of New Housing in British Columbia</i>

#### **GST/HST memoranda**

16-3-1	<i>Reduction of Penalty and Interest in Wash Transaction Situations</i>
18-2	<i>Provincial Governments</i>

#### **GST/HST technical information bulletins**

B-103	<i>Harmonized Sales Tax - Place of supply rules for determining whether a supply is made in a province</i>
B-104	<i>Harmonized Sales Tax – Temporary Recapture of Input Tax Credits in Ontario and British Columbia</i>

#### **GST/HST notices**

Notice251	<i>Notice of Change - GST/HST Memorandum 13.4</i>
Notice252	<i>Notice of Change - GST/HST Technical Information Bulletin B-094, Amendments to the Point-of-Sale Rebate for Printed Books</i>
Notice253	<i>Harmonized Sales Tax for Ontario and British Columbia – Questions and Answers for Public Service Bodies</i>
Notice254	<i>Collecting First Nations Taxes in a Participating Province</i>

#### **GST/HST policy statements**

P-184	<i>Credit Card Expenses and the Registrant's Use of Factors for Claiming Input Tax Credits (revised)</i>
-------	--

#### **Excise tax and special levies notices**

ETSL72	<i>Notice to all Air Carriers - Rate Increases for the Air Travellers Security Charge</i>
ETSL73	<i>Notice to the Transportation Sector and Commodity Tax Practitioners - Request For Consultation on the Administration of the Excise Tax Exemption for Diesel Fuel Used in the Generation of Electricity Relating to Hotel Services on Vehicles</i>
ETSL74	<i>Notice to all Excise Tax Licensees and Tax Professionals – Excise Tax Licensing and Related Enquiries</i>

#### **Excise duty memoranda**

EDM1-5-1	<i>Rates of Excise Duty</i>
----------	-----------------------------

## **Softwood lumber products export charge notices**

SWLN21	<i>Surge Charge - Alberta Region (January 2010)</i>
SWLN22	<i>Surge Charge - Alberta Region (March 2010)</i>
SWLN23	<i>Export Charge Rate for June 2010 Reduced to 0% - Registrants Must Continue to File Returns</i>
SWLN24	<i>Surge Charge - Alberta Region (April 2010)</i>

## **New ATSC rates**

ATSCRATES *Air Travellers Security Charge (ATSC) Rates*

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at [www.cra.gc.ca/gsthstech](http://www.cra.gc.ca/gsthstech), at [www.cra.gc.ca/etsl](http://www.cra.gc.ca/etsl), and at [www.cra.gc.ca/exciseduty](http://www.cra.gc.ca/exciseduty).

## **Enquiries**

**For online access to account balances, transactions and more** for your GST/HST, softwood lumber products export charge, air travellers security charge as well as excise taxes and duty accounts, visit [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

**For general information and to make enquiries regarding your account** (except for softwood lumber products export charge accounts), call Business Enquiries at 1-800-959-5525.

**For enquiries regarding your softwood lumber products export charge account**, call 1-800-935-0313.

**To make enquiries regarding the status of specific GST/HST domestic rebate claims**, call 1-800-565-9353.

**For GST/HST technical enquiries** call GST/HST Rulings at 1-800-959-8287.

## **Forms and publications**

To access forms and publications online visit [www.cra.gc.ca/orderforms](http://www.cra.gc.ca/orderforms).

To order forms and publications by telephone call 1-800-959-2221.

## **Are you a GST/HST registrant located in Quebec?**

To make an enquiry or obtain information on the GST/HST, contact Revenu Québec at 1-800-567-4692 or visit their Web site at [www.revenu.gouv.qc.ca](http://www.revenu.gouv.qc.ca).

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), First Nations goods and services tax (FNGST) and First Nations tax (FNT), softwood lumber products export charge, air travellers security charge (ATSC) as well as excise taxes and duties. If you would like to receive a link to each new edition of the *Excise and GST/HST News* as it is published, subscribe to the electronic mailing list.

This publication is provided for information purposes only and does not replace the law, either enacted or proposed. Please note that any commentary in this newsletter regarding proposed measures should not be taken as a statement by the CRA that such measures will in fact be enacted into the law in their current form. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, ON K1A 0L5.



## Table of Contents

Bill C-9 receives Royal Assent .....	1
Proposed changes to certain HST rules in respect of financial institutions, streamlined accounting methods and interment rights .....	1
Recently published GST/HST Regulations .....	2
Liability protection for those who collect GST/HST and ATSC .....	3
Medical practice organizations and policy statement P-238 .....	3
Ontario First Nations point-of-sale relief .....	4
The <i>Spirit Drinks Trade Act</i> .....	5
Automated messages to new GST/HST registrants and new employers .....	6
What's new in My Business Account? .....	6
Reminder: new GST/HST reporting requirements starting July 2010 .....	6
My Payment – a service for businesses and individuals that allows you to pay your GST/HST online .....	6
Prescribed rates of interest .....	7
What's new in publications .....	7
Enquiries .....	11

**Bill C-9 receives Royal Assent**

On July 12, 2010, Bill C-9, the *Jobs and Economic Growth Act*, received Royal Assent and is now referred to as Statutes of Canada, 2010, c. 12.

Bill C-9 implements certain provisions of the federal Budget of March 4, 2010, as well as a number of previously announced proposed legislative amendments to the *Excise Tax Act*, the *Excise Act, 2001*, the *Air Travellers Security Charge Act*, and the *Softwood Lumber Products Export Charge Act, 2006* which were included in several Notice of Ways and Means Motions and Press Releases issued from January 26, 2007 to March 4, 2010.

For more information, please see the summary of provisions published in NEWS76, *Excise and GST/HST News - No. 76 (Spring 2010)*.

**Proposed changes to certain HST rules in respect of financial institutions, streamlined accounting methods and interment rights**

On June 30, 2010, the Department of Finance ([www.fin.gc.ca](http://www.fin.gc.ca)) published a Backgrounder in the *News Release 2010-062* which announced proposed changes to the HST measures in respect of: certain financial institutions; rules and rates for streamlined accounting methods; and transitional rules for Ontario and British Columbia in respect of interment rights.

**My Business Account:** View your account balance and transactions; file your return and view its status; calculate your instalment payments; view notices, letters, and statements; view address and banking information; transfer payments and immediately view an updated balance. Go to [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

**ST/HST NETFILE:** Faster processing and refunds, immediate confirmation of receipt, and no postal costs. Visit [www.cra.gc.ca/gsthst-netfile](http://www.cra.gc.ca/gsthst-netfile).

La version française de la présente publication est intitulée *Nouvelles sur l'accise et la TPS/TVH*.



Canada Revenue  
Agency

Agence du revenu  
du Canada

Canada



The related Backgrounder discusses the following proposed HST measures:

- clarifications and other improvements to proposed HST rules for financial institutions following consultations on the Department of Finance news release dated May 19, 2010;
- new HST rules and proposed new percentage rates for streamlined accounting methods used by small businesses and eligible public service bodies, effective on July 1, 2010; and
- a change to the general HST transitional rules for Ontario and British Columbia to ensure that the provincial part of the HST would not apply to a taxable supply of an interment right (i.e., a real property right relating to the interment of human remains in a cemetery, mausoleum, or any similar place used for the interment of human remains) supplied under a written agreement that is entered into before July 1, 2010. The GST at 5% applies to the supply of the interment right in this case. If a supplier of interment rights collected the provincial part of the HST (i.e., 8% in Ontario or 7% in British Columbia) before the proposed announcement was made, the person acquiring the rights could seek a refund of that provincial part from the supplier or from the CRA.

At the same time, the Department of Finance published *Draft Regulations Amending Various GST/HST Regulations, No. 2*. These draft regulations propose amendments mostly to the *Selected Listed Financial Institutions Attribution Method (GST/HST) Regulations*.

### **Recently published GST/HST Regulations**

Several new sets of GST/HST regulations have been registered in the Canada Gazette since the Spring 2010 edition of the *Excise and GST/HST News* (News76) was published.

On June 9, 2010, the *New Harmonized Value-added Tax System Regulations* were published. These regulations set out how the HST applies to intangible personal property, services, transportation services, importation of goods, leases of property, including real property, and provides general transitional rules for Ontario and British Columbia.

On June 30, 2010, the following HST regulations were published:

- *Electronic Filing and Provision of Information (GST/HST) Regulations* – these regulations prescribe the electronic filing and reporting requirements which were announced on January 4, 2010 and became effective July 1, 2010. They also prescribe the penalties resulting from non-compliance with these requirements. The January 4, 2010 announcement was discussed in the Winter 2010 edition of the *Excise and GST/HST News* (News75).
- *New Harmonized Value-added Tax System Regulations No. 2* – these regulations prescribe how the HST applies regarding a permanent establishment in a province, travel and other allowances, direct sellers, non-exclusive use of passenger vehicles or aircraft, property and services brought into a province, the recapture of specified provincial input tax credits, and rebates for employees and partners. They also prescribe the HST transitional rules for real property, and the rules for the Ontario and British Columbia new housing rebates and the provincial transitional new housing rebates.
- *Regulations Amending Various GST/HST Regulations* – these regulations amend the *Taxes, Duties and Fees (GST/HST) Regulations* (by defining the general sales tax rate), the *Public Service Body Rebate (GST/HST) Regulations* (by prescribing the specified provincial percentages and apportionments of rebates), the *Automobile Operating Expense Benefit (GST/HST) Regulations* (by specifying prescribed percentages), the *Deduction for Provincial Rebate (GST/HST) Regulations* (by amending the list of prescribed items and prescribing restrictions related to point-of-sale rebates), and the *Nova Scotia HST Regulations, 2010* (by amending a paragraph relating to employee benefits).

Many of the new rules prescribed in these regulations are explained in GST/HST Info Sheets, Notices, and Technical Information Bulletins available on the CRA Web site at [www.cra.gc.ca/gsthsttech](http://www.cra.gc.ca/gsthsttech).

### **Liability protection for those who collect GST/HST and ATSC**

On July 13, 2010, the Department of Finance announced proposed legislation in News Release 2010-067, *Government of Canada Seeks to Protect Agents of the Crown Collecting the GST/HST and the Air Travellers Security Charge From Civil Liability Claims*, to amend the *Excise Tax Act* and the *Air Travellers Security Charge Act*.

The proposed legislation would protect agents of the Crown who charge, collect and remit the GST/HST and the Air Travellers Security Charge (ATSC) on behalf of the Government of Canada from civil liability claims.

Those who charge, collect and remit the GST/HST or the ATSC to the Government under the aforementioned acts do so as agents of the Crown. In keeping with the protection from civil claims already provided under the *Income Tax Act* and other federal statutes, the Government proposes to extend the same protection to agents of the Crown who collect the GST/HST and the ATSC in intended compliance with their statutory obligations.

The proposal would apply to past and future transactions. However, the proposed amendments will not affect any case that has been subject to a final determination by the courts before July 13, 2010.

### **Medical practice organizations and policy statement P-238**

GST/HST Policy Statement P-238, *Application of the GST/HST to Payments Made Between Parties Within a Medical Practice Organization*, illustrates how the GST/HST applies to certain payments made within a medical practice organization by medical practitioners or by practitioners (hereinafter referred to as “practitioners”) involved in a principal/locum or principal/associate relationship supplying exempt health care services.

Policy statements issued by the CRA are administrative instruments created to illustrate how certain provisions in the *Excise Tax Act* apply to a particular situation. If a person’s situation does not fall within the facts described in a policy statement, the administrative policy will not apply to that person. Policy statements are not substitutes for the law nor do they change the application of the law. In that regard, P-238 is not meant to address payments made by practitioners within a medical practice organization in all circumstances.

As a general rule, where several practitioners are involved in a medical practice organization and an amount is:

- paid by a practitioner to another practitioner (the “principal practitioner”); or
  - withheld from or invoiced to a practitioner by the principal practitioner;
- for
- the use of facilities;
  - administrative services (e.g., secretarial, support, overhead); or
  - other goods and services (e.g., referrals, marketing direction, mentoring or coaching, bookkeeping, equipment);

The amount paid or withheld is consideration for a taxable supply made by the principal practitioner to the practitioner. If the principal practitioner is a GST/HST registrant, the principal practitioner is required to collect and remit the GST/HST in respect of this taxable supply.



There are certain exceptions to this general rule, including:

- a bona fide arrangement whereby a locum/associate agrees to share fees billed for exempt health care services with the other practitioner in the specific circumstances described in P-238 (this usually involves one practitioner acting on behalf of another who is temporarily away from the office such as during periods of vacation or illness);
- a partnership agreement under which a partner agrees to pay a portion of the fees billed for exempt health care services to the medical partnership; and
- a cost-sharing arrangement in which one practitioner (the “agent practitioner”) acts as an agent of another practitioner, pursuant to a principal and agent relationship that exists between the parties, for the acquisition of specific goods and services common to their business practice. Under this arrangement, the practitioner pays a portion of the fees billed for exempt health care services to the agent practitioner as a reimbursement for the specific goods and services acquired by the agent practitioner on behalf of the practitioner.

For more information on how the GST/HST applies to payments made within a medical practice organization, please contact GST/HST Rulings at 1-800-959-8287.

### **Ontario First Nations point-of-sale relief**

On June 17, 2010, the Government of Ontario announced that it will continue relieving status Indians, Indian bands and councils of an Indian band (“status Indian purchasers”) from tax on qualifying off-reserve purchases. The relief will be an amount equal to the 8% provincial part of the HST.

For the period of July 1, 2010 to August 31, 2010, the Government of Ontario will refund eligible status Indian purchasers an amount equal to the 8% provincial part of the HST paid for consideration that is due before September 1, 2010, on qualifying off-reserve supplies of property and services, upon application to the Ontario Ministry of Revenue.

Beginning September 1, 2010, GST/HST registrant suppliers would be allowed to credit eligible status Indian purchasers at the time of sale with an amount equal to the 8% provincial part of the HST for qualifying off-reserve supplies of property or services. The CRA would process GST/HST registrant suppliers’ claims for credit in respect of amounts that they have credited to status Indian purchasers at the point of sale.

### **More information**

CRA Info Sheet GI-106, *Ontario First Nations Point-of-Sale Relief – Reporting Requirements for GST/HST Registrant Suppliers*, discusses how a GST/HST registrant supplier would report the HST on qualifying off-reserve supplies of property or services for reporting periods ending on or after September 1, 2010, and how the amount credited at the point of sale should be shown on invoices.

For information on qualifying off-reserve supplies of property or services and who is eligible for the relief, refer to the Ontario Ministry of Revenue’s Backgrounder, *Ontario Point-of-Sale Exemption for Ontario Status Indians*, and the document *Your Questions Answered*, or contact the Government of Ontario at 1-866-668-8297.

For information for GST/HST registrants on completing the GST/HST return and the GST189 rebate application form, contact the CRA at 1-800-959-5525.



## **The Spirit Drinks Trade Act**

The *Spirit Drinks Trade Act* (SDTA) implements international trade agreements that restrict the use of certain names of spirits. Included in the Schedule to the SDTA are the following spirit drink names:

- Grappa (Italy)
- Grappa di Ticino (Ticino region of Switzerland)
- Jägersee, Jägersee or Jagatee (Austria)
- Korn or Kornbrand (Germany or Austria)
- Ouzo or Ouzo (Greece)
- Pacharán (Spain)
- Scotch whisky (Scotland)
- Irish whisky (Northern Ireland or the Republic of Ireland)
- Armagnac brandy (Armagnac district of France)
- Cognac brandy (Cognac district of France)
- Bourbon whiskey (United States)
- Tennessee whiskey (United States)
- Tequila (Mexico)
- Mezcal (Mexico)
- Caribbean rum (Commonwealth Caribbean country)

Agriculture and Agri-Food Canada (AAFC) is responsible for the administration and enforcement of the SDTA. The SDTA provides that the Minister of Agriculture and Agri-Food Canada may designate persons as inspectors for purposes of the enforcement of the SDTA. Given the CRA's familiarity with the spirits industry, certain excise duty officers have been designated as inspectors. As inspectors, excise duty officers may review the books and records of spirits licensees and excise warehouse licensees to ensure compliance with the SDTA.

The *SDTA Compliance and Enforcement Policy* is available at the AAFC Web site at: [www.agr.gc.ca](http://www.agr.gc.ca) under Agri-Industries, Processed Food and Beverages.

### **Spirits and Excise Warehouse Licensees**

Spirits licensees cannot use the name of a spirit drink that is included in the Schedule to the SDTA to sell a product that they have produced.

Excise warehouse licensees cannot sell spirits using a name of a spirit drink included in the Schedule to the SDTA except where it has been produced, distilled or manufactured in accordance with the SDTA. For example, a spirit drink can only be sold using the name Ouzo if it has been produced exclusively in Greece.

Exceptions are made for spirit drinks that have been blended or modified in accordance with the laws of Canada and, in certain cases, for any registered trademark that was applied for before January 1, 1996. For example, a product may be blended or modified with an imported spirit drink as listed in the SDTA. In addition, AAFC officials have advised that the distilled product "Ice Grappa" is an example of an exception to the SDTA as this particular Canadian trade-mark was applied for in September 1995. Licensees may contact us with any questions regarding exceptions and we will follow up with AAFC officials.

Regional excise duty offices are able to provide information on compliance with the SDTA. Please see Excise Duty Memorandum EDM1.1.2, *Regional Excise Duty Offices*, to contact your regional excise duty office.

## **Automated messages to new GST/HST registrants and new employers**

In order to assist new GST/HST registrants and new employers in meeting their first filing and remitting deadlines, the CRA began a national pilot project in June 2010 that involves sending automated phone messages to new registrants and new employers. The pre-recorded messages will remind them of their first filing and remitting deadlines.

The automated reminders will be sent from July 2010 to the end of January 2011. Selected taxpayers will receive a single reminder call before their first filing deadline. If a taxpayer has a new GST/HST account, and a new payroll account, that taxpayer may receive one reminder call for each account.

No personal taxpayer information will be given out in the filing and remitting due date reminders, and the CRA will not request any personal information from taxpayers.

The National Do Not Call List is intended to give consumers a choice about whether to receive telemarketing calls. Since the filing and remitting due date reminder calls are not telemarketing calls, the Do Not Call List does not apply to them.

Fraudulent communications always ask for personal information, such as social insurance, credit card, bank account, and passport numbers. The CRA's automated courtesy calls do not request, or give out any personal information. To learn more about how to identify fraudulent communications, please see the CRA Web page, "Beware of fraudulent communications", under the heading "Information about: Security".

## **What's new in My Business Account?**

You can now use the Instalment payment calculator service to calculate your GST/HST instalment payments and view their due dates. To learn more about the growing list of services available in My Business Account, go to [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

## **Reminder: new GST/HST reporting requirements starting July 2010**

It is important for registrants to ensure they accurately report all information on CRA Form GST34, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return for Registrants*.

After June 2010, you may be required to file your return electronically. A penalty may apply if you are required to file electronically and you do not do so. Also, if you are required to report transitional housing information or restricted input tax credits, failure to report this information accurately on the appropriate schedules of the GST/HST NETFILE return may result in penalties.

For more information about filing your GST/HST return and penalties, please refer to the CRA Web site at [www.cra.gc.ca](http://www.cra.gc.ca) under the "Business" and "GST/HST" headings.

## **My Payment – a service for businesses and individuals that allows you to pay your GST/HST online**

My Payment is an online payment service for individuals and businesses that offers INTERAC® Online as a method of remitting payments, directly from an account at a participating Canadian financial institution.



The benefits of using this electronic payment service are:

- immediate payment – no accounting for the time it takes to mail a cheque;
- safety and security – the payment is completed through your existing online banking service;
- privacy – no personal information is exchanged between the CRA and your financial institution; and
- simplicity – payments to several CRA accounts can be made in a single transaction.

### How do I use My Payment?

For more information on this self service option or to use My Payment, go to [www.cra.gc.ca/mypayment](http://www.cra.gc.ca/mypayment).

® Trade-mark of Interac Inc. Used under licence

### Prescribed rates of interest

The prescribed annual rate of interest in effect from July 1, 2010 to September 30, 2010, on overdue amounts payable to the Minister is 5%. The prescribed annual rate of interest on amounts owed by the Minister (i.e., rebates or refunds) is 1% for corporate taxpayers and 3% for non-corporate taxpayers. These rates are applicable to income tax, excise tax, the softwood lumber products export charge, GST/HST and the air travellers security charge (ATSC) and excise duty on wine, spirits and tobacco.

The prescribed annual rate of interest respecting excise duty on beer, on overdue amounts payable for the indicated period, is set at 3%. Refund interest rates are not applicable for amounts owed by the Minister (i.e., rebates or refunds) for excise duty that is in relation to beer.

Period	Income Tax, Excise Tax, Softwood Lumber Products Export Charge, GST/HST and ATSC, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)
	Refund Interest	Arrears and Instalment Interest	Arrears Interest
<b>2010</b>			
July 1 – September 30	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%
April 1 – June 30	3%	5%	3%
January 1 – March 31	3%	5%	3%
<b>2009</b>			
October 1 – December 31	3%	5%	3%

Prescribed interest rates for previous years are available on the CRA Web site at [www.cra.gc.ca/interestrates](http://www.cra.gc.ca/interestrates).

### What's new in publications

The following is a list of new or revised excise and GST/HST forms and publications. As a result of the HST in Ontario and British Columbia, CRA forms and publications are constantly being updated. Please check the CRA "What's new" Web site often for the most current versions.

### GST/HST Schedules

- C7066-SCH Provincial Schedule – GST/HST Public Service Bodies' Rebate
- C7190-BC GST190 British Columbia Rebate Schedule
- C7190-NS GST190 Nova Scotia Rebate Schedule
- C7190-ON GST190 Ontario Rebate Schedule
- C7190-WS GST190 Calculation Worksheet



RC7191-BC	GST191 British Columbia Rebate Schedule
RC7191-ON	GST191 Ontario Rebate Schedule
RC7524-BC	GST524 British Columbia Rebate Schedule
RC7524-ON	GST524 Ontario Rebate Schedule

### ***GST/HST forms***

GST20	Election for GST/HST Reporting Period
GST30	Election for Passenger Vehicles or Aircraft to be Deemed to be Used Exclusively in Non-Commercial Activities
GST44	Election Concerning the Acquisition of a Business or Part of a Business
GST60	GST/HST Return for Acquisition of Real Property
GST66	Application for GST/HST Public Service Bodies' Rebate and GST Self-government Refund
GST74	Election and Revocation of an Election to use the Quick Method of Accounting
GST106	Information on Claims Paid or Credited for Foreign Conventions and Tour Packages
GST189	General Application for Rebate of GST/HST
GST190	GST/HST New Housing Rebate Application for Houses Purchased from a Builder
GST191	GST/HST New Housing Rebate Application for Owner-Built Houses
GST191-WS	Construction Summary Worksheet
GST192	GST/HST Transitional Rebate Application for Builders of New Housing on Leased Land
GST193	GST/HST Transitional Rebate Application for Purchasers of New Housing
GST287	Election or Revocation of the Election by Public Service Bodies to Use the Special Quick Method of Accounting
GST288	Supplement to Forms GST189 and GST498
GST303	Application to Offset Taxes by Refunds or Rebates
GST370	Employee and Partner GST/HST Rebate Application
GST386	Rebate Application for Conventions
GST489	Return for Self-Assessment of the Provincial Part of Harmonized Sales Tax (HST)
GST495	Rebate Application for Provincial Part of Harmonized Sales Tax (HST)
GST518	GST/HST Specially Equipped Motor Vehicle Rebate Application
GST524	GST/HST New Residential Rental Property Rebate Application
GST525	Supplement to the New Residential Rental Property Rebate Application – Co-op and Multiple Units
RC7000-BC	British Columbia Provincial Sales Tax (PST) Transitional New Housing Rebate
RC7000-ON	Ontario Retail Sales Tax (RST) Transitional New Housing Rebate
RC7001-BC	British Columbia Provincial Sales Tax (PST) Transitional New Housing Rebate – Residential Condominiums
RC7001-ON	Ontario Retail Sales Tax (RST) Transitional New Housing Rebate – Condominiums
RC7002-BC	British Columbia Provincial Sales Tax (PST) – Transitional New Housing Rebate – Apartment Buildings
RC7002-ON	Ontario Retail Sales Tax (RST) Transitional New Housing Rebate – Apartment Buildings
RC7003-BC	British Columbia Provincial Sales Tax (PST) Transitional New Housing Rebate for Certain Non-Registrants
RC7003-ON	Ontario Retail Sales Tax (RST) Transitional New Housing Rebate for Certain Non-Registrants

### ***GST/HST guides***

RC4022	General Information for GST/HST Registrants
RC4027	Doing Business in Canada – GST/HST Information for Non-Residents
RC4028	GST/HST New Housing Rebate – Includes forms GST190, GST191, GST191-WS, GST515 and RC7190-WS
RC4033	General Application for GST/HST Rebates – Includes Forms GST189, GST288, and GST507

RC4034	GST/HST Public Service Bodies' Rebate – Includes Forms GST66 and RC7066 SCH
RC4036	GST/HST Information for the Travel and Convention Industry
RC4049	GST/HST Information for Municipalities
RC4052	GST/HST Information for the Home Construction Industry
RC4058	Quick Method of Accounting for GST/HST – Includes Form GST74
RC4072	First Nations Tax (FNT)
RC4080	GST/HST Information for Freight Carriers
RC4081	GST/HST Information for Non-Profit Organizations
RC4082	GST/HST Information for Charities
RC4091	GST/HST Rebate for Partners – Includes Form GST370
RC4103	GST/HST Information for Suppliers of Publications
RC4125	Basic GST/HST Information for Taxi and Limousine Drivers
RC4160	Rebate for Tour Packages, Foreign Conventions, and Non-Resident Exhibitor Purchases – Includes Forms GST115 and GST386
RC4231	GST/HST New Residential Rental Property Rebate – Includes Forms GST524 and GST525
RC4247	The Special Quick Method of Accounting for Public Service Bodies
RC4365	First Nations Goods and Services Tax (FNGST)

### ***GST/HST info sheets***

GI-005	Sale of a Residence by a Builder Who Is an Individual (revised)
GI-023	Direct Sellers' Sales Aids (revised)
GI-056	Ontario and British Columbia: Transition to the Harmonized Sales Tax – Services (revised)
GI-059	Ontario and British Columbia: Transition to the Harmonized Sales Tax – Intangible Personal Property (revised)
GI-063	Harmonized Sales Tax for Ontario, British Columbia and Nova Scotia – Point-of-Sale Rebate on Children's Goods (revised)
GI-064	Harmonized Sales Tax for Ontario – Point-of-Sale Rebate on Prepared Food and Beverages (revised)
GI-070	Ontario and British Columbia: Transition to the Harmonized Sales Tax – Goods (revised)
GI-079	Harmonized Sales Tax: Ontario New Housing Rebate
GI-080	Harmonized Sales Tax: British Columbia New Housing Rebate
GI-085	Harmonized Sales Tax: Stated Price Net of GST/HST New Housing Rebates in Ontario
GI-086	Harmonized Sales Tax: Stated Price Net of GST/HST New Housing Rebates in British Columbia
GI-087	Harmonized Sales Tax: Stated Price Net of GST/HST New Housing Rebate in Nova Scotia
GI-088	Harmonized Sales Tax: Stated Price Net of GST/HST New Housing Rebates and the Ontario RST Transitional New Housing Rebate
GI-089	Harmonized Sales Tax: Stated Price Net of GST/HST New Housing Rebates and the British Columbia PST Transitional New Housing Rebate
GI-090	Harmonized Sales Tax: Builder Disclosure Requirements in Ontario and British Columbia
GI-091	Harmonized Sales Tax: Information for Landlords of New Rental Housing
GI-092	Harmonized Sales Tax: Leases of Real Property in Ontario and British Columbia
GI-093	Harmonized Sales Tax: Ontario New Residential Rental Property Rebate
GI-094	Harmonized Sales Tax: British Columbia New Residential Rental Property Rebate
GI-095	Harmonized Sales Tax: Information on the Transitional Tax Adjustment for Builders of Housing in Ontario and British Columbia
GI-097	Harmonized Sales Tax: Assignment of Purchase and Sale Agreements for Grandparented Housing in Ontario and British Columbia
GI-098	Harmonized Sales Tax: Resales of New Housing in Ontario and British Columbia
GI-099	Builders and Electronic Filing Requirements
GI-100	Harmonized Sales Tax: Builders and Recaptured Input Tax Credits

- GI-105      How to Determine the Percentage of Completion for Purposes of the Provincial Transitional New Housing Rebates and the Transitional Tax Adjustment in Ontario and British Columbia
- GI-106      Ontario First Nations Point-of-Sale Relief - Reporting Requirements for GST/HST Registrant Suppliers
- GI-107      Grains, Seeds, Hay, Silage and Other Fodder and Plant Crops

***GST/HST notices***

- NOTICE255   Elections for Certain Selected Listed Financial Institutions under the HST
- NOTICE256   HST Rate Increase for Nova Scotia – Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in Nova Scotia

***Excise tax and special levies forms***

- XE8            Application for Refund of Federal Excise Tax on Gasoline

***Excise duty notices***

- EDN24        New Stamping Regime for Tobacco Products

***Air travellers security charge forms***

- B254           Application for Refund of the Air Travellers Security Charge

***Softwood lumber products export charge notices***

- SWLN25      Surge Charge - Alberta Region (May 2010)
- SWLN26      Notice to Wholesalers – Calculation of Export Price
- SWLN27      Additional 10% Export Charge for Option B Regions
- SWLN28      Surge Charge – Alberta Region (July 2010)

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at [www.cra.gc.ca/gsthstech](http://www.cra.gc.ca/gsthstech), at [www.cra.gc.ca/etsl](http://www.cra.gc.ca/etsl), and at [www.cra.gc.ca/exciseduty](http://www.cra.gc.ca/exciseduty).



## Enquiries

**For online access to account balances, transactions and more** for your GST/HST, softwood lumber products export charge, air travellers security charge as well as excise taxes and duty accounts, go to [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

**For general information and to make enquiries regarding your account** (except for softwood lumber products export charge accounts), call Business Enquiries at 1-800-959-5525.

**For enquiries regarding your softwood lumber products export charge account**, call 1-800-935-0313.

**To make enquiries regarding the status of specific GST/HST domestic rebate claims**, call 1-800-565-9353.

**For GST/HST technical enquiries** call GST/HST Rulings at 1-800-959-8287.

## Forms and publications

To access forms and publications online go to [www.cra.gc.ca/orderforms](http://www.cra.gc.ca/orderforms).

To order forms and publications by telephone call 1-800-959-2221.

## Are you a GST/HST registrant located in Quebec?

To make an enquiry or obtain information on the GST/HST, contact Revenu Québec at 1-800-567-4692 or visit their Web site at [www.revenu.gouv.qc.ca](http://www.revenu.gouv.qc.ca).

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), First Nations goods and services tax (FNGST) and First Nations tax (FNT), softwood lumber products export charge, air travellers security charge (ATSC) as well as excise taxes and duties. If you would like to receive a link to each new edition of the *Excise and GST/HST News* as it is published, subscribe to the electronic mailing list.

This publication is provided for information purposes only and does not replace the law, either enacted or proposed. Please note that any commentary in this newsletter regarding proposed measures should not be taken as a statement by the CRA that such measures will in fact be enacted into the law in their current form. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, ON K1A 0L5.



## Table of Contents

Recapture of input tax credits (RITCs) filing requirements and elections .....	1
Reminder – relief of the GST/HST on goods sold to Indians .....	3
Exemptions under the GST/HST for training provided to individuals with a disorder or disability such as autism.....	4
Letter of good standing for claiming the Ontario and British Columbia provincial transitional new housing rebates .....	5
Reminder – 10-year time limit to make a taxpayer relief request under the <i>Excise Tax Act</i> .....	5
New public service bodies' rebate schedule for the provincial part of the HST .....	6
GST/HST seminars .....	7
Paper Burden Reduction Initiative and the impact on small excise licensees .....	7
New stamping regime for tobacco products .....	9
Prescribed rates of interest .....	10
What's new in publications.....	11
Enquiries .....	13

## Recapture of input tax credits (RITCs) filing requirements and elections

From July 1, 2010 until June 30, 2018, businesses whose taxable supplies are more than \$10 million annually (including taxable supplies by associated persons) as well as certain financial institutions are required to repay or "recapture" all or some of the Ontario and British Columbia share of any available input tax credits (ITCs) for certain specified property or services (i.e., qualifying motor vehicles, including certain vehicle parts and services, and in Ontario, motive fuel other than diesel fuel for use in motor vehicles, specified energy; specified telecommunication services, specified meals and entertainment that are subject to an ITC repayment requirement of 50% under the general GST/HST rules).

The CRA has found that some large businesses are not reporting recaptured ITCs or are making errors concerning RITCs on their GST/HST NETFILE return. Common errors include:

- netting RITCs against other amounts on the GST/HST return instead of identifying them separately on Line 1401 of Schedule B, Calculation of Input Tax Credits;
- indicating "yes" to Schedule B and then filling Line 1401 with \$0.01 or \$1.00 instead of indicating the total amount of RITCs for the particular reporting period; and
- registrants who meet the RITC threshold, are indicating "no" to Schedule B and therefore nothing can be filled in on Line 1401.

Failing to report RITCs as and when required could result in tax liabilities and/or penalties.

## Filing requirements

GST/HST registrants who are subject to the RITC requirements (large businesses) must file their returns using GST/HST NETFILE.

**My Business Account:** To view your account balance and transactions; request additional remittance vouchers; file your return and view its status; calculate your instalment payments; view notices, letters and statements; view address and banking information; authorize or manage representatives; transfer payments and immediately view an updated balance; go to [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

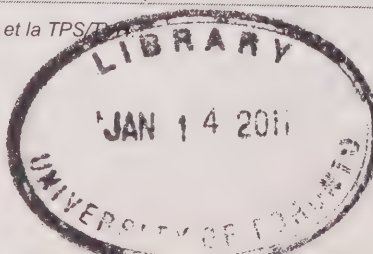
**GST/HST NETFILE:** Faster processing and refunds, immediate confirmation of receipt, and no postal costs. Visit [www.cra.gc.ca/gsthst-netfile](http://www.cra.gc.ca/gsthst-netfile).

La version française de la présente publication est intitulée *Nouvelles sur l'accise et la TPS/STP*.



Canada Revenue  
Agency

Agence du revenu  
du Canada



Canada



If you are reporting RITCs:

- You are required to identify RITCs separately on Schedule B of your GST/HST NETFILE return. If you do not correctly report your RITCs, penalties may apply even if you report the correct net tax amount.

Other key factors to keep in mind include:

- RITCs must generally be reported in the same reporting period in which the ITCs on the specified property first become available regardless of whether the business decides to include the ITC on a later return.
- GST/HST registrants subject to the RITC requirement cannot forego reporting these RITCs when calculating their net tax.
- RITCs must be separately identified in Schedule B of the GST/HST NETFILE return and cannot be netted out against other amounts on the return.

If you are not reporting RITCs:

- If you mistakenly indicate on the main GST/HST NETFILE screen that you have RITCs to report for a given reporting period, you will automatically be presented with Schedule B to complete. However, Schedule B must include an amount other than zero (\$0.00). Therefore, if you have incorrectly identified that you are subject to RITCs for this reporting period, do not complete it. Simply exit the Schedule B by using the "Back" button on your browser, answer the questions on the main GST/HST NETFILE screen again, and continue completing your return.

If you need to amend a previously filed return:

- It is your responsibility to make sure that your return is accurate and filed on time. If you do not correctly report RITCs in a reporting period, you are required to correct errors by sending a letter to your designated tax centre, requesting that your GST/HST return for that period be adjusted to report the correct amount of RITCs. The tax centre will process the adjustment to the applicable reporting period.

## Elections

Some optional methods of reporting recaptured ITCs are available. Registrants must file applicable election forms with CRA in order to use these optional methods.

A large business producing goods for sale (and carrying on such production activities primarily in Ontario or at least 10% in British Columbia) generally can elect to use a production proxy to determine what portion of the specified energy that it acquires for use in these provinces is considered to be used directly in the production of goods for sale (and not subject to the RITCs requirement). The election will have to be filed by the due date of the GST/HST return for the first reporting period in a particular recapture period and will generally apply for that entire recapture period. The election will remain in effect until revoked, and can only be revoked if used for a minimum of one recapture period. To make this election, use Form RC4530, *Election or Revocation of an Election to use a Production Proxy to Report the Recapture of Input Tax Credits*.

The Estimation and Reconciliation Method can be used to account for RITCs. To use this method, a large business must file Form RC4531, *Election or Revocation of an Election to Use the Estimation and Reconciliation Method to Report the Recapture of Input Tax Credits*.

A large business may file the election with the CRA in the following circumstances:

- If a GST/HST registrant exceeds the RITC threshold amount at the end of its fiscal year and becomes a large business on the first day of the next recapture period, (July 1), the election is effective on the first day

of that recapture period and is to be filed on or before the due date of the GST/HST return for the reporting period that includes that month of July.

- If a GST/HST registrant that is a large business has been recapturing ITCs using the Actual Method and chooses to use the Estimation/Reconciliation Method, the election is effective the first day of the fourth month following the large business's fiscal year end. The election is to be filed on or before the due date of the GST/HST return for the reporting period that includes that day.

A GST/HST registrant cannot elect to use the Estimation and Reconciliation Method in a fiscal year, if that fiscal year is the registrant's first fiscal year.

Under the Estimation and Reconciliation Method, a large business will:

- estimate the amount of ITCs that will be required to be recaptured during a fiscal year;
- based on this estimate, report equal instalment payments of recaptured ITCs in each reporting period during a one-year period; and
- at the end of the fiscal year, determine the actual amount of ITCs that should have been recaptured during that year and reconcile any differences between this actual amount of ITCs that should have been recaptured and the amount of recaptured ITCs that were reported during the fiscal year.

#### **Further information**

For further information on RITCs see GST/HST Technical Information Bulletin B-104, *Harmonized Sales Tax - Temporary Recapture of Input Tax Credits in Ontario and British Columbia* and GST/HST Notice 249, *Questions and Answers on the New Reporting Requirements for GST/HST Registrants*. As well, the CRA Web site has dedicated Web pages referencing this requirement. Go to "Temporary recapture of input tax credits (RITCs) requirement - Ontario and British Columbia" found at [www.cra-arc.gc.ca/ritc](http://www.cra-arc.gc.ca/ritc), and Accounting for recaptured input tax credits (RITCs).

More information on the temporary RITC as it applies to selected listed financial institutions is in the Department of Finance Backgrounder, *Financial Institution Rules for the Harmonized Sales Tax (HST)*, published with the May 19, 2010 Finance News Release, *Proposed Changes to the Application of the Harmonized Sales Tax to Financial Institutions - May 2010* as well as the Department of Finance Backgrounder, *Harmonized Sales Tax Rules for Financial Institutions, Interment Rights and Streamlined Accounting Methods*, published with the June 30, 2010 Finance News Release, *Proposed Changes to Certain Harmonized Sales Tax Rules in Respect of Financial Institutions, Interment Rights and Streamlined Accounting Methods* available at [www.fin.gc.ca](http://www.fin.gc.ca).

#### **Reminder - relief of the GST/HST on goods sold to Indians**

Relief of the GST/HST is provided to Indian individuals under the *Indian Act*, as explained in GST/HST Technical Information Bulletin B-039, *GST/HST Administrative Policy - Application of the GST/HST to Indians*.

Goods sold by a vendor to an Indian individual are relieved of the GST and the full HST if the goods are sold on a reserve or are delivered to a reserve by the vendor or the vendor's agent. The purchaser is required to present proof of registration under the *Indian Act* (usually the Certificate of Indian Status, commonly known as an Indian Status Card) to the vendor in order to purchase the goods relieved of the GST/HST. The vendor is required to note on the invoice or other sales document that is retained by the vendor the registry number or band name and family number, a description of the qualifying property or service, and the date on which the credit was given.



---

### **For purchases in Ontario**

Where the goods are purchased off a reserve and are not delivered to a reserve, relief of the GST/HST does not apply. However, in Ontario the Indian individual purchaser may be eligible for relief of the provincial part of the HST at the point of sale. The Ministry of Revenue of Ontario has announced that beginning September 1, 2010, GST/HST registrant suppliers in Ontario are allowed to credit status Indian purchasers (Indians, Indian bands and councils of an Indian band) at the time of sale with an amount equal to the 8% provincial part of the HST for qualifying off-reserve supplies of property or services. For further information on when the point-of-sale relief applies, see Ontario Guide 80, *Ontario First Nations Point-of-Sale Exemptions* which is published under Ontario Harmonized Sales Tax Information Notice 7, *Ontario First Nations Point-of-Sale Exemptions* at [www.rev.gov.on.ca](http://www.rev.gov.on.ca) under the heading "Forms and Publications".

The CRA processes GST/HST registrant suppliers' claims for a credit in respect of amounts that they have credited to status Indian purchasers at the point of sale. For information on how a GST/HST registrant supplier would report the HST on qualifying off-reserve supplies of property or services for reporting periods ending on or after September 1, 2010, and how the amount credited at the point of sale should be shown on invoices, please see GST/HST Info Sheet GI-106, *Ontario First Nations Point-of-Sale Relief - Reporting Requirements for GST/HST Registrant Suppliers*.

### **Exemptions under the GST/HST for training provided to individuals with a disorder or disability such as autism**

Many supplies of training for children and adults with a disorder or disability such as autism are exempt of the GST/HST. The exemption applies to training that is specially designed to assist an individual cope with the effects of a disorder or disability or to alleviate or eliminate those effects. In order for such specially designed training to be exempt, it must be provided to an individual with a disorder or disability, or to another individual who provides personal care or supervision to that individual otherwise than in a professional capacity, such as a parent or guardian and

- a medical practitioner, practitioner such as a psychologist or speech-language pathologist, nurse or social worker in the course of a professional-client relationship with the individual with the disorder or disability certifies in writing that the training is an appropriate means to assist that individual in coping with the effects of the disorder or disability or to alleviate or eliminate those effects;
- the training is provided by the federal or provincial government; or
- the person providing the training, or the person acquiring the training receives full or partial funding from the federal or provincial government or from an organization administering a government program targeted at assisting individuals with the disorder or disability.

Finally, in order to be exempt, this training must not be similar to training ordinarily provided to individuals (or to their parents or guardians) who do not have the disorder or disability, such as general fitness or nutritional training.

#### **Example**

A family receives funding from a province to assist them in acquiring services of an Intensive Behavioural Intervention program for their child with autism. The supply of the services by the provider is exempt of the GST/HST.

In addition to the above training, training provided to individuals with a disorder or disability such as autism will be exempt of the GST/HST if it is provided by:

- registered charities;



- medical practitioners;
- registered nurses within a nurse-patient relationship;
- practitioners, such as psychologists or speech-language pathologists; or
- social workers within a professional-client relationship.

For more information on how the GST/HST applies to specially designed training for individuals with a disorder or disability, such as autism, please contact GST/HST Rulings at 1-800-959-8287.

### **Letter of good standing for claiming the Ontario and British Columbia provincial transitional new housing rebates**

Builders of newly constructed or substantially renovated housing in Ontario and British Columbia (B.C.) may be entitled to claim a provincial transitional new housing rebate to recover the estimated Ontario retail sales tax or the estimated B.C. provincial sales tax embedded in the cost of housing that was completed in full or in part before July 2010.

The CRA would like to remind builders that they have to attach a letter of good standing to their rebate application when they submit this application for the first time.

The CRA has noted that many builders have not attached a letter of good standing to their rebate application. The CRA will not process a provincial transitional new housing rebate application and will return it to the builder if:

- a letter of good standing is not attached to the application form that a builder submits for the first time,
- the letter of good standing attached to the rebate form is not valid, or
- the letter of good standing on file with the CRA is no longer valid.

This letter is issued to builders by the governments of Ontario and B.C. and it remains valid for one year, unless the letter is revoked by the province. Ontario and B.C. determine the circumstances under which a letter of good standing is issued.

For more information please see Notice258, *Reminder – Letter of Good Standing for Claiming the Ontario and British Columbia Provincial Transitional New Housing Rebates*. For more information on the conditions for claiming a provincial transitional new housing rebate and calculating the amount of the rebate, refer to GST/HST Info Sheet GI-096, *Harmonized Sales Tax: Provincial Transitional New Housing Rebates for Housing in Ontario and British Columbia*.

### **Reminder – 10-year time limit to make a taxpayer relief request under the *Excise Tax Act***

The CRA reminds GST/HST registrants that they have until December 31, 2010, to review their records and send in any requests for penalty and/or interest relief under the taxpayer relief provisions for a reporting period that ended in the 2000 calendar year.

Legislative changes to the taxpayer relief provisions in the *Excise Tax Act* (both for GST/HST and non-GST purposes) were implemented effective April 1, 2007 to limit the CRA's discretion to waive or cancel interest, the 6% penalty imposed under former section 280, the failure-to-file penalty under section 280.1, and non-GST related penalties, to requests for reporting periods that ended within any of the 10 calendar years preceding the calendar year in which the request is made. The 10-year time limit rolls forward every January 1.

## Example

A taxpayer relief request made by a person (for GST/HST or non-GST/HST purposes) during the 2010 calendar year will only be eligible for consideration for a reporting period that ended in 2000 or subsequent calendar years. Due to the 10-year rolling time limit, a taxpayer relief request made on or after January 1, 2011, will not be eligible for consideration for a reporting period that ended in the 2000 or prior calendar years.

The taxpayer relief provisions give the CRA the flexibility to administer the tax system fairly. They allow for a common-sense approach in dealing with persons who, because of personal misfortune or circumstances beyond their control, are unable to meet their GST/HST obligations.

Examples of circumstances where relief from penalties and interest may be warranted include:

- extraordinary circumstances (for example, a flood, fire, or postal strike);
- actions of the CRA (for example, an error in a CRA publication); or
- inability to pay or financial hardship.

Taxpayers or their authorized representatives can make a taxpayer relief request by completing Form RC4288, *Request for Taxpayer Relief* and forwarding it to their local CRA office. A copy of this form is available from the CRA Web site at [www.cra-arc.gc.ca/forms](http://www.cra-arc.gc.ca/forms) or by calling 1-800-959-2221. Alternatively, they can make a request by writing to their local CRA office and providing specific information about why they were not able to meet their tax obligations.

For more details on requesting relief from penalties and/or interest, see GST/HST Memorandum 16.3, *Cancellation or Waiver of Penalties and/or Interest*.

## **New public service bodies' rebate schedule for the provincial part of the HST**

As of July 1, 2010, public service bodies resident in a participating province (Ontario, Nova Scotia, New Brunswick, British Columbia, Newfoundland and Labrador) that are claiming a rebate for the provincial part of the HST, have to complete the new provincial schedule, Form RC7066 SCH, *Provincial Schedule - GST/HST Public Service Bodies' Rebate* and attach it to their rebate application in order to claim the rebate.

For information on completing the rebate application and the provincial schedule, see "Completing the public service bodies' rebate application" and "Completing the provincial schedule" on the CRA Web site.

If you are a resident in more than one province, at least one of which is a participating province, you have to calculate the public service bodies' rebate for the provincial part of the HST based on the extent you intended to consume, use or supply property or services in the course of your activities in each participating province in which you are resident. For more information, see "How do I calculate the public service bodies' rebate?".

If you are not resident in a participating province you are not entitled to a public service bodies' rebate of the provincial part of HST. You would only be entitled to a public service bodies' rebate of the GST and the federal part of HST.

The following table is an abridged version of the one published on the CRA "Public service bodies' rebates" Web page.



PSB type	Rebate factor for GST or the federal part of HST	Rebate factor for the provincial part of the HST Province of residence				
		New Brunswick	Newfoundland*	Nova Scotia	Ontario	British Columbia
Municipality	100 %	57.14 %	0 %	57.14 %	78 %	75 %
University	67 %	0 %	0 %	67 %	78 %	75 %
School authority	68 %	0 %	0 %	68 %	93 %	87 %
Public college	67 %	0 %	0 %	67 %	78 %	75 %
Hospital authority	83 %	0 %	0 %	83 %	87 %	58 %
Facility Operator	83 %	50 %	0 %	50 %	87 %	58 %
External supplier	83 %	50 %	0 %	50 %	87 %	58 %
Charity	50 %	50 %	50 %	50 %	82 %	57 %
Qualifying NPO	50 %	50 %	50 %	50 %	82 %	57 %

\* Selected public service bodies resident in Newfoundland and Labrador are entitled to claim a 50% rebate for the provincial part of the HST paid or payable on purchases used in non-selected public service bodies' activities. A selected public service body means a municipality, hospital authority, facility operator, external supplier, or the following when established and operated on a non profit basis: school authority, university, or public college.

To apply for the rebate, use Form GST66, *Application for GST/HST Public Service Bodies' Rebate and GST Self-government Refund*. Beginning July 1, 2010, PSBs resident in a participating province who are claiming a rebate for the provincial part of the HST have to complete the new Form RC7066 SCH, *Provincial Schedule - GST/HST Public Service Bodies' Rebate* and attach it to their rebate application in order to claim their rebates.

For more information please see the CRA Web page "Public service bodies' rebates", CRA Guide RC4034, *GST/HST Public Service Bodies' Rebate* or CRA Notice253, *Harmonized Sales Tax for Ontario and British Columbia – Questions and Answers for Public Service Bodies*. Please note that registered PSBs can now use GST/HST NETFILE to electronically file their rebate application with their GST/HST return.

### GST/HST seminars

The CRA offers various seminars including one on the GST/HST. These seminars have been designed to assist small businesses in understanding their tax responsibilities and to assist in developing an awareness of the services that the CRA provides. While these seminars are geared primarily towards new businesses, the information provided will also be of value to existing small businesses. To find out about the seminars offered by the CRA, please go to the "Events and seminars" Web page under the "Information about" heading on the CRA home page.

### Paper Burden Reduction Initiative and the impact on small excise licensees

Bill C-47, the *Sustaining Canada's Economic Recovery Act*, received First Reading on September 30, 2010. This Act introduces measures to reduce the paperwork burden for small excise taxpayers under the Paper Burden Reduction Initiative (originally announced by the Minister of National Revenue on March 31, 2009.)

Please note that these measures will come into force on the date of Royal Assent of Bill C-47.

Currently, excise licensees and designated air carriers are required to file a return each fiscal month, except for certain small excise tax licensees. Licensed brewers are required to file a return every calendar month. This initiative will give eligible small excise licensees and designated air carriers the option of filing returns every six months instead of every month.



The proposed measures will apply to:

- designated air carriers with respect to charges and amounts collected under the *Air Travellers Security Charge Act*;
- licensed brewers under the *Excise Act*;
- excise warehouse licensees who do not hold in their excise warehouse manufactured tobacco or cigars, spirits licensees, wine licensees, and licensed users under the *Excise Act, 2001*; and
- excise licensees with respect to excise tax payable under the *Excise Tax Act*.

### **Fiscal half-year**

Generally, the “fiscal half-year” will be based on a six-month period, or the person’s fiscal year. However, for licensed brewers under the *Excise Act*, the six-month periods will be the first half and the second half of the calendar year.

### **Authorized reporting period of a fiscal half year**

#### **For licensees under the *Excise Act, 2001***

For licensees under the *Excise Act, 2001* (i.e., excise warehouse licensees who do not hold in their excise warehouse manufactured tobacco or cigars, spirits licensees, wine licensees, and licensed users), there are specific rules for calculating the eligibility threshold in order to be authorized to use the fiscal half-year reporting period.

These particular licensees may apply to the CRA in a prescribed manner to be authorized to use the fiscal half-year reporting period and will be subject to the following specific eligibility rules:

- the person has been licensed for a period exceeding twelve consecutive fiscal months;
- the total of all duties payable by the person and any person associated with the person did not exceed \$120,000 in the previous fiscal year;
- the total of all duties payable by the person and any person associated with the person in the current fiscal year does not exceed \$120,000;
- in the case where the person is an excise warehouse licensee, the liability of the person and any excise warehouse licensee associated with the person with respect to duty on alcohol entered into an excise warehouse did not exceed \$120,000 in the previous and current fiscal year;
- in the case where the person is a licensed user, the liability of the person and any licensed user associated with the person with respect to duty on alcohol entered into their specified premises did not exceed \$120,000 in the previous and current fiscal year;
- in the case where the person is a spirits licensee, the volume of absolute ethyl alcohol added to the bulk spirits inventory of the person and any spirits licensee associated with the person did not exceed in the previous and current fiscal year, the amount determined by the formula:  $(\$120,000 / \$11.696 \text{ per litre of absolute ethyl alcohol (LAA)}) = 10,259.92 \text{ LAA}$ ;
- in the case where the person is a wine licensee, the volume of wine added to the bulk wine inventory of the person and any wine licensee associated with the person did not exceed in the previous and current fiscal year, the amount determined by the formula:  $(\$120,000 / \$0.62 \text{ per litre}) = 193,548.38 \text{ litres}$ ; and
- the person is in compliance with the *Excise Act, 2001*.

#### **Designated air carriers and excise tax licensees**

Generally, designated air carriers and excise tax licensees under the *Air Travellers Security Charge Act*, and the *Excise Tax Act* may apply to the CRA in a prescribed manner to be authorized to use the fiscal half-year reporting period.

The person may be eligible for a fiscal half-year reporting period if:

- the person has been registered or licensed for a period exceeding twelve fiscal months;
- the total of all amounts collected or required to be collected (i.e., charges or taxes) under the person's particular Act by the person and any person associated with the person in the fiscal year ending immediately before the particular fiscal year did not exceed \$120,000;
- the total of all amounts collected or required to be collected (i.e., charges or taxes) under the person's particular Act by the person and any person associated with the person in the particular fiscal year does not exceed \$120,000; and
- the person is in compliance with their particular Act.

### **Licensed brewers**

Generally, licensed brewers under the *Excise Act* may apply to the CRA to be authorized to use semi-annual (six-month) reporting periods that are the first half and the second half of the calendar year.

The brewer may be eligible for a six-month reporting period if:

- the brewer has been licensed for a period exceeding one year;
- the total of all duty imposed, levied and collected on beer and malt liquor brewed by the brewer and any person associated with the brewer in the previous or current year did not exceed \$120,000;
- the brewer is in compliance with the *Excise Act*.

### **Revocation of fiscal half-year reporting period**

An authorization to have a fiscal half-year or six-month reporting period will be **deemed** to be revoked

- where the person exceeds the \$120,000 threshold described above; or
- where an excise warehouse licensee begins to hold manufactured tobacco or cigars.

Generally, the revocation will become effective as of the first day after the end of the six-month period in which the excess occurs. However, for an excise warehouse licensee who begins to hold manufactured tobacco or cigars, revocation occurs as of the first day of the fiscal month in which the licensee begins to hold the tobacco or cigars.

Revocation will also occur when

- the person requests in writing the CRA to do so;
- the person fails to comply with their particular Act; and
- the CRA considers that the authorization is no longer required.

The CRA will send a notice in writing of the revocation to the person and will specify in the notice the fiscal month, or calendar month in the case of brewers, for which the revocation becomes effective.

### **More information**

The CRA will be publishing further notices to provide more detailed information.

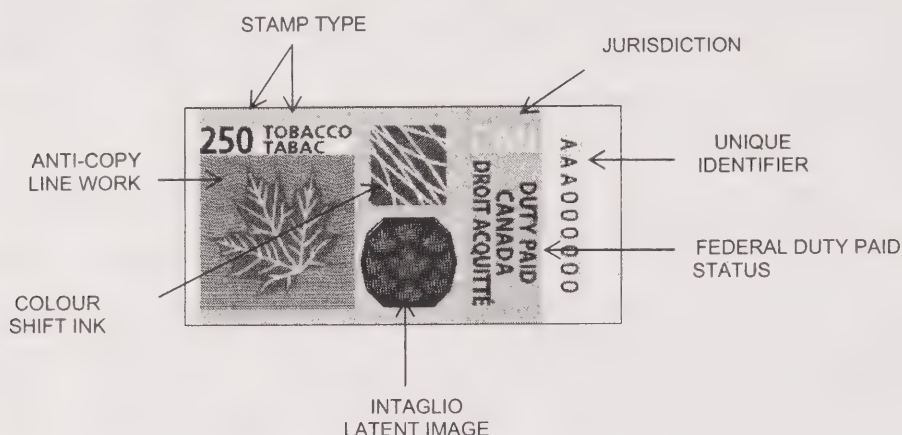
### **New stamping regime for tobacco products**

On July 12, 2010, the *Jobs and Economic Growth Act* received Royal Assent. This Act contains the legislative amendments to the *Excise Act, 2001* required to implement a new stamping regime for tobacco products in order to enhance the integrity of the tobacco taxation system and to combat the contraband tobacco market.

On September 1, 2010, the new stamping regime came into effect. As of April 1, 2011, all tobacco products entered into the duty-paid market or released under the *Customs Act* and destined for the duty-paid market must

be stamped with the new excise stamp. To facilitate compliance with this requirement, the stamp was introduced with the transition period of September 2010 to March 2011.

A major feature of the new stamping regime was the development of a new excise stamp with visible features and overt and covert security features similar to those used in banknotes and passports as shown in the figure below.



Some of the visible features are: the size (20 × 40 mm), an indication of the type of tobacco product (e.g., 25 cigarettes, 200 cigarettes, 250 grams of tobacco and other amounts), a unique alphanumeric identification number, and the federal duty paid status bar. Some of the overt security features are: colour shift ink, ultraviolet visible ink, and an intaglio latent image – an engraved image that creates features that have unique tactility and visual effect.

The *Excise Act, 2001* specifies that excise stamps may only be issued and in the possession of tobacco licensees and prescribed persons.

The CRA has issued two notices to introduce the new stamp and explain its security features: EDN24, *New Stamping Regime for Tobacco Products*, and EDN26 *New Excise Stamp Security Features*. Additional notices will be issued to explain the process for ordering excise stamps as well as the process for applying to become a “prescribed person”. Please go to the CRA Excise Duty Notices Web page which will be updated as these new notices are published.

Please note that the excise stamp must be affixed in accordance with the proposals to amend the stamping regulations issued on September 14, 2009. For more information on the new stamping regime for tobacco products, see the CRA news release, *New tobacco excise stamp on cigarette packages “One step closer against tobacco contraband”*, released on September 14, 2009, and fact sheet, *Proposed amendments Enhanced stamping regime for tobacco products*.

### Prescribed rates of interest

The prescribed annual rate of interest in effect from October 1, 2010 to December 31, 2010, on overdue amounts payable to the Minister is 5%. The prescribed annual rate of interest on amounts owed by the Minister (i.e., rebates or refunds) is 1% for corporate taxpayers and 3% for non-corporate taxpayers. These rates are applicable to income tax, excise tax, the softwood lumber products export charge, GST/HST and the air travellers security charge (ATSC) and excise duty on wine, spirits and tobacco.



The prescribed annual rate of interest respecting excise duty on beer, on overdue amounts payable for the indicated period, is set at 3%. Refund interest rates are not applicable for amounts owed by the Minister (i.e., rebates or refunds) for excise duty that is in relation to beer.

Period	Income Tax, Excise Tax, Softwood Lumber Products Export Charge, GST/HST and ATSC, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)
	Refund Interest	Arrears and Instalment Interest	Arrears Interest
<b>2010</b>			
October 1 – December 31	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%
July 1 – September 30	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%
April 1 – June 30	3%	5%	3%
January 1 – March 31	3%	5%	3%

Prescribed interest rates for previous years are available on the CRA Web site at [www.cra.gc.ca/interestrates](http://www.cra.gc.ca/interestrates).

### What's new in publications

The following is a list of new or revised excise and GST/HST forms and publications. As a result of the HST in Ontario and British Columbia, CRA forms and publications are constantly being updated. Please check the CRA "What's new" Web site often for the most current versions.

### GST/HST forms

GST44	<i>Election Concerning the Acquisition of a Business or Part of a Business</i>
GST59	<i>GST/HST Return for Imported Taxable Supplies and Qualifying Consideration</i>
GST66	<i>Application for GST/HST Public Service Bodies' Rebate and GST Self-government Refund</i>
GST190	<i>GST/HST New Housing Rebate Application for Houses Purchased from a Builder</i>
GST497	<i>Election under the Special Attribution Method for Selected Listed Financial Institutions and Notice of Revocation</i>
GST521	<i>GST/HST Multi-Employer Pension Plan Trust Rebate Application</i>
GST523-1	<i>Non-profit organizations - Government Funding</i>
GST531	<i>Return for Self-Assessment of the First Nations Goods and Services Tax (FNGST)</i>
RC4601	<i>GST/HST Reporting Entity and Tax Adjustment Transfer Elections and Revocations for a Selected Listed Financial Institution</i>
RC4602	<i>Request for a Group GST/HST Registration Number for Selected Listed Financial Institutions with Consolidated Filing</i>
RC4603	<i>GST/HST Tax Adjustment Transfer Election and Revocation for a Selected Listed Financial Institution</i>
RC4604	<i>GST/HST Reporting Entity, Consolidated Filing and Tax Adjustment Transfer Elections and Revocations for a Selected Listed Financial Institution</i>
RC4605	<i>Total Tax Recovery Rate Election and Revocation for a Selected Listed Financial Institution</i>
RC4606	<i>Election or Revocation for a Qualifying Small Investment Plan to be Treated as a Selected Listed Financial Institution</i>
RC4607	<i>GST/HST Pension Entity Rebate Application and Election</i>

### **GST/HST info sheets**

GI-096	<i>Harmonized Sales Tax: Provincial Transitional New Housing Rebates for Housing in Ontario and British Columbia</i>
GI-101	<i>Harmonized Sales Tax: Information for Non-registrant Builders of Housing in Ontario, British Columbia and Nova Scotia</i>
GI-102	<i>Nova Scotia HST Rate Increase: Sales and Rentals of Non-residential Real Property</i>
GI-103	<i>Nova Scotia HST Rate Increase: Progress Payments and Holdbacks</i>
GI-104	<i>Nova Scotia HST Rate Increase: Sales and Rentals of New Housing</i>
GI-108	<i>Applying the 2010 Nova Scotia HST Rate Increase - Personal Property</i>
GI-109	<i>Applying the 2010 Nova Scotia HST Rate Increase - Services</i>
GI-110	<i>Applying the 2010 Nova Scotia HST Rate Increase - Admissions and Memberships</i>
GI-111	<i>Applying the 2010 Nova Scotia HST Rate Increase - Transportation Services and Passes</i>

### **GST/HST notices**

Notice253	<i>Harmonized Sales Tax for Ontario and British Columbia – Questions and Answers for Public Service Bodies (revised)</i>
Notice257	<i>For discussion purposes only: The GST/HST Rebate for Pension Entities</i>
Notice258	<i>Reminder - Letter of Good Standing for Claiming the Ontario and British Columbia Provincial Transitional New Housing Rebates</i>
Notice259	<i>Information Requirements Related to Investments in Selected Listed Financial Institution Distributed Investment Plans (other than Exchange-traded Funds)</i>

### **Excise tax and special levies notices**

ETSL75	<i>Notice to Excise Tax Licensees and Account Holders - New Version of Form B200, Excise Tax Return</i>
--------	---

### **Excise tax and special levies forms**

B200	<i>Excise Tax Return</i>
N15-1	<i>Excise Tax Act, Application for Refund/Rebate, Supplementary Information</i>

### **Excise duty notices**

EDN25	<i>Sale of Unstamped Partially Manufactured Tobacco and Activities of a Tobacco Licensee</i>
EDN26	<i>New Excise Stamp Security Features</i>

### **Air travellers security charge forms**

B253	<i>Softwood Lumber Products Export Charge - Registration Form</i>
B253-1	<i>Softwood Lumber Products Export Charge - Independent Remanufacturer Registration Supplement</i>
B253-2	<i>Softwood Lumber Products Export Charge - Registration Supplement - Multiple Regions or Mills</i>
B275	<i>Softwood Lumber Products Export Charge Return</i>

### **Softwood lumber products export charge notices**

SWLN29	<i>Surge Charge - Alberta Region (August 2010)</i>
SWLN30	<i>Notice to Independent Remanufacturers - Calculation of the Yield Loss Percentage</i>
SWLN31	<i>Surge Charge - Alberta Region (September 2010)</i>
SWLN32	<i>Surge Charge – Alberta Region (October 2010)</i>

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at [www.cra.gc.ca/gsthsttech](http://www.cra.gc.ca/gsthsttech), at [www.cra.gc.ca/etsl](http://www.cra.gc.ca/etsl), and at [www.cra.gc.ca/exciseduty](http://www.cra.gc.ca/exciseduty).

## Enquiries

**For online access to account balances, transactions, notices and more** for your GST/HST, softwood lumber products export charge, air travellers security charge as well as excise taxes and duty accounts, go to [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

**For general information and to make enquiries regarding your account** (except for softwood lumber products export charge accounts), call Business Enquiries at 1-800-959-5525.

**For enquiries regarding your softwood lumber products export charge account**, call 1-800-935-0313.

**To make enquiries regarding the status of specific GST/HST domestic rebate claims**, call 1-800-565-9353.

**For GST/HST technical enquiries** call GST/HST Rulings at 1-800-959-8287.

### Forms and publications

To access forms and publications online visit [www.cra.gc.ca/orderforms](http://www.cra.gc.ca/orderforms).

To order forms and publications by telephone call 1-800-959-2221.

### Are you a GST/HST registrant located in Quebec?

To make an enquiry or obtain information on the GST/HST, contact Revenu Québec at 1-800-567-4692 or visit their Web site at [www.revenu.gouv.ca](http://www.revenu.gouv.ca).

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), First Nations goods and services tax (FNGST) and First Nations tax (FNT), softwood lumber products export charge, air travellers security charge (ATSC) as well as excise taxes and duties. If you would like to receive a link to each new edition of the *Excise and GST/HST News* as it is published, subscribe to the electronic mailing list.

This publication is provided for information purposes only and does not replace the law, either enacted or proposed. Please note that any commentary in this newsletter regarding proposed measures should not be taken as a statement by the CRA that such measures will in fact be enacted into the law in their current form. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, ON K1A-0L5.





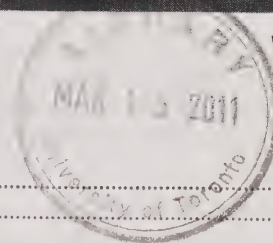
CA1  
NR  
- G77

## Excise and GST/HST News

No. 79

Winter 2011

## Table of Contents



GST/HST rebates and public service bodies (PSBs).....	1
Reminder – PSB NETFILE.....	3
Proposed changes to certain GST/HST rules relating to financial institutions.....	4
Bill C-47 receives Royal Assent.....	4
An enhanced focus on GST/HST compliance.....	4
Option to purchase real property.....	5
HST place of supply rules for goods supplied by way of sale and freight transportation services.....	6
Late filing or failure to file form GST106 – avoid the penalty.....	7
Residential care.....	8
Suppliers to government entities (government purchases).....	9
Point-of-sale rebate on children's goods – dancewear.....	9
Application of GST/HST to medical marihuana.....	10
Filing GST/HST returns without a Web access code (WAC).....	10
Prescribed rates of interest.....	10
What's new in publications.....	11
Enquiries.....	13

**GST/HST rebates and public service bodies (PSBs)**

Most PSBs that are charities, qualifying non-profit organizations (i.e., non-profit organizations that receive 40% government funding) or selected PSBs (i.e., school authorities, universities, or public colleges that are established and operated other than for profit; hospital authorities; municipalities; facility operators; or external suppliers) are eligible for a PSB rebate of the GST, or the federal part of the HST, paid or payable on eligible purchases and expenses.

If the PSB is resident in a participating province, it may also be eligible for a PSB rebate of the provincial part of the HST paid or payable on purchases and other supplies of eligible property and services acquired in that participating province. Generally, the PSB will be entitled to a PSB rebate for the provincial part of the HST using the applicable PSB rebate factor for the province in which it is resident. To determine the applicable PSB rebate factor, please see "Rebate factors and explanation of activity types" in guide RC4034, *GST/HST Public Service Bodies' Rebate*.

In addition, a PSB resident in a participating province (Province A) that incurred HST in another participating province in which it is not resident (Province B) will be entitled to a PSB rebate of the provincial part of the HST paid or payable in Province B using the PSB rebate factor for Province A if the goods, services or intangible personal property (IPP) were consumed, used or supplied in Province B.

**My Business Account:** To view your account balance and transactions; request additional remittance vouchers; file your return and view its status; calculate your instalment payments; view notices, letters and statements; view address and banking information; authorize or manage representatives; transfer payments and immediately view an updated balance; go to [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

**GST/HST NETFILE:** Faster processing and refunds, immediate confirmation of receipt, and no postal costs. Visit [www.cra.gc.ca/gsthst-netfile](http://www.cra.gc.ca/gsthst-netfile).

La version française de la présente publication est intitulée *Nouvelles sur l'accise et la TPS/TVH*.

Canada Revenue  
AgencyAgence du revenu  
du Canada

Canada

### Example

A charity resident in British Columbia purchases bedding from a supplier in Ontario. The charity will donate the bedding to another charity operating a homeless shelter in Toronto, Ontario. The supplier ships the goods from its warehouse in Toronto to the homeless shelter. The bedding supplier charges the British Columbia charity 13% HST. The British Columbia charity will be entitled to a PSB rebate for the provincial part of the HST paid in Ontario using the rebate factor for the provincial part of the HST for its province of residence, which is 57% for British Columbia.

PSBs that carry on their activities in more than one province may also be resident in more than one province and as a result may be required to calculate their PSB rebates of the provincial part of HST using more than one PSB rebate factor. To determine the appropriate PSB rebate factor or factors to be used by PSBs resident in more than one province, at least one of which is a participating province, see “Special rules for claimants resident in more than one province” in guide RC4034, *GST/HST Public Service Bodies’ Rebate*.

### Example

A charity resident in British Columbia and Ontario purchases bedding from a supplier in Ontario for use at a homeless shelter that the same charity operates in Toronto, Ontario. The supplier ships the goods from its warehouse in Toronto to the homeless shelter and charges the charity 13% HST. The charity will be entitled to a PSB rebate for the provincial part of the HST paid in Ontario using the rebate factor for the province in which it carries on its activities in the course of which the bedding is used, which is 82% for Ontario.

## Other rebates of provincial part of the HST

The provincial part of the HST is not the same in each participating province. It is therefore possible for a PSB to acquire goods, services or IPP (such as goodwill, contractual rights, trademarks and intellectual property) in a participating province that has a higher (or lower) HST rate than in the province where the property or services are to be consumed, used or supplied by the PSB. The provincial part of the HST is 7% in British Columbia, 10% in Nova Scotia and 8% in Ontario, New Brunswick and Newfoundland and Labrador.

As a result, a different rebate (applicable to both PSBs and non PSBs) may be available in respect of the provincial part of the HST where goods are acquired in a participating province by a person and then removed to a participating province with a lower rate of the provincial part of the HST or to a non-participating province. Similarly, if a recipient acquires services or IPP for consumption, use or supply in whole or in part outside the participating province where they were acquired, a rebate of some or all of the provincial part of the HST may also be available.

### **Rebate for goods removed**

If a PSB purchased goods in a participating province and removed them from that province for consumption, use, or supply exclusively (90% or more) outside the participating province, it may be entitled to a rebate of all or a portion of the provincial part of the HST paid in respect of the goods. This rebate may be available when the goods are removed from the participating province within 30 days of being delivered to the PSB and brought into a participating province with a lower rate of the provincial part of the HST or to a non-participating province. This rebate is claimed on Form GST495, *Rebate Application for Provincial Part of Harmonized Sales Tax (HST)*. For further information, see “Did you buy goods in a participating province and bring them into another province?” in guide RC4034, *GST/HST Public Service Bodies’ Rebate* or page 2 of Form GST495.

### Example

A charity that is not a selected PSB is resident only in New Brunswick. The charity purchases mattresses in Nova Scotia and pays 15% HST. The charity then immediately sends them to New Brunswick for use in a homeless shelter that it operates in Moncton. The HST rate in New Brunswick is 13%.



---

The charity will be entitled to a rebate for the 2% difference between the provincial part of the HST paid in Nova Scotia (i.e., 10%) and the provincial part of the HST that would have been payable in New Brunswick (i.e., 8%). This rebate is claimed using form GST495. The charity can also claim a PSB rebate for the remaining provincial part of the HST using the 50% rebate factor for charities resident in New Brunswick.

### **Rebate for services or IPP supplied in a participating province**

If a PSB is a recipient of a supply of services or IPP in a participating province for use significantly (10% or more) in a participating province with a lower rate of the provincial part of the HST or outside participating provinces, it may be entitled to a rebate of some or all of the provincial part of the HST that was paid on an amount of consideration for the supply. This rebate is requested using reason code 13 on Form GST189, *General Application for Rebate of GST/HST*. For further information, see “Reason code 13 – Intangible personal property or services supplied in a participating province” in guide RC4033, *General Application for GST/HST Rebates*.

### **PSB rebate and rebates claimed on Forms GST189 or GST495**

Amounts claimed (or entitled to be claimed) as a rebate on Form GST495 or GST189 must be deducted from the HST paid or payable by the PSB prior to calculating its PSB rebate.

### **Self-assessment of the provincial part of the HST**

Generally, for GST/HST purposes the person making a taxable supply collects the GST/HST. However, in some cases the recipient of the supply is required to calculate the tax it owes on a supply and pay the amount directly to the CRA. This is known as “self-assessment”. Amounts of the provincial part of the HST that are self-assessed may be eligible for a PSB rebate.

A PSB may be required to self-assess the provincial part of the HST if it is the recipient of a supply of goods, services or IPP in a non-participating province for consumption, use or supply in a participating province. Self-assessment may be required by a person where the person brings goods into a participating province that has a higher rate of the provincial part of the HST than the province from which the goods are brought. Similarly, a person who is resident in a participating province may be required to self-assess tax in respect of a supply of services or IPP acquired by the person where the services or IPP are consumed, used or supplied in whole or in part in a participating province that has a higher rate of the provincial part of the HST than the province where the supply occurred. For self-assessment purposes, the rate of the provincial part of the HST in a non-participating province is considered to be 0%.

For more information on this topic, please see “Tax on property and services brought into a participating province” in guide RC4022, *General Information for GST/HST Registrants*.

### **Reminder – PSB NETFILE**

If you are a GST/HST registrant who files PSB rebates and you file your GST/HST returns electronically using GST/HST NETFILE, you can now electronically file your rebate application with your return.

If you use GST/HST NETFILE to file your PSB rebate, please do not mail the paper form. However, if you choose not to file your PSB rebate using GST/HST NETFILE, you must mail your rebate application to your tax centre. The tax centre should receive your form on or before the due date of your return.

Right now, GST/HST NETFILE can only accommodate PSB rebates for GST/HST registrants. Rebates for non-registrant PSBs as well as all other types of rebates must be filed on paper.

## **Proposed changes to certain GST/HST rules relating to financial institutions**

On January 28, 2011, the Department of Finance published a News Release announcing further proposed changes to rules relating to the manner in which certain financial institutions calculate the provincial component of the HST, along with a detailed backgrounder, draft legislation and draft regulations.

Details relating to most of the proposed changes were previously announced in the May 19, 2010, Department of Finance News Release 2010-050, *Government Proposes Changes to Certain GST/HST Rules Relating to Financial Institutions* and in the June 30, 2010 News Release 2010-062, *Proposed Changes to Certain Harmonized Sales Tax Rules in Respect of Financial Institutions, Streamlined Accounting Methods and Interment Rights*.

The backgrounder describes the proposed changes and clarifications to the rules contained in the previous releases including the rules for new investment plans or new series of an investment plan (including investment plans/series created through mergers), as well as issues that have been raised during consultations but which require further analysis and stakeholder consultations.

For more information please see the Department of Finance News Release 2011-009, *Government Proposes Changes to Certain GST/HST Rules Relating to Financial Institutions*, and the related documents: *Background: Modifications to the Proposed Financial Institution (FI) Rules for the Harmonized Sales Tax (HST)* and *Draft Legislation and Draft Regulations* which are published on the Department of Finance Web site at [www.fin.gc.ca](http://www.fin.gc.ca).

## **Bill C-47 receives Royal Assent**

On December 15, 2010, Bill C-47, *Sustaining Canada's Economic Recovery Act*, received Royal Assent and is now referred to as Statutes of Canada, 2010, c.25.

Bill C-47 implements certain provisions of the federal Budget of March 4, 2010 and contains the following measures:

- Amendments to various Acts administered by the CRA to allow for the electronic issuance of notices when authorized by the taxpayer.
- Extending the protection from civil liability claims that is already provided under the *Income Tax Act* and other federal statutes to agents of the Crown who collect the GST/HST and the air travellers security charge in intended compliance with their statutory obligations.
- Reducing the paperwork burden for small excise taxpayers – amendments allow certain small remitters to file and remit semi-annually rather than monthly. Please go to the Fall 2010 edition of the *Excise and GST/HST News – No.78* for more information on the Paper Burden Reduction Initiative.

## **An enhanced focus on GST/HST compliance**

The HST in Ontario and British Columbia was implemented on July 1, 2010. Successful implementation is a key priority for the CRA. To ensure success, the CRA is taking steps to strengthen its administration of GST/HST and provide a dedicated and centralized focus on GST/HST compliance. The CRA is planning program and organizational changes to enhance overall GST/HST administration. While development and implementation of these changes will continue for a number of years, the first wave of changes has already begun.

The CRA's overall compliance strategy is based on education, service and responsible enforcement. Part of responsible enforcement is the CRA's comprehensive audit program that helps identify potential cases of GST/HST non-compliance. The CRA has made changes to its overall organizational structure in order to strengthen and enhance its focus on GST/HST compliance. These organizational changes have affected the



---

audit program and lead to the discontinuation of combined audits. Instead of one audit covering both income tax and GST/HST, auditors will now do single tax audits. This allows auditors and their managers to develop more in-depth knowledge and expertise in their area.

In addition to the discontinuation of combined audits, changes and improvements in CRA's approach to pre-assessment reviews are being implemented. Under the pre-assessment process, each GST/HST return is reviewed using an impartial electronic review process to identify errors or indications of non-compliance. Returns identified through this process are then referred for further examination and in some cases audit. Following the pre-assessment process, a notice of assessment is sent to the registrant indicating that the return is assessed as filed or identifying any adjustments made. This pre-assessment approach is now being expanded with new system validations that will focus initially on new province-specific measures such as the recapture of input tax credits, new housing rebates and transitional rebates.

The GST/HST is a self-assessment system whereby registrants determine their own liability for net tax, and remit the correct amount of net tax accordingly. The CRA is committed to maintaining the integrity and fairness of this system and ensuring a level playing field for all GST/HST registrants. While most GST/HST registrants comply with the law, some intentionally avoid their GST/HST obligations. These new enhancements will help the CRA identify and correct non-compliance in its early stages in order to keep the system fair for Canadians who comply with the provisions of the *Excise Tax Act*.

The CRA will continue to work with major stakeholder organizations and business associations to provide HST information to their members across Canada. For more information related to HST implementation, please go to the "Businesses" section of the CRA Web site at: [www.cra.gc.ca/gsthst](http://www.cra.gc.ca/gsthst).

### **Option to purchase real property**

An option to purchase real property gives the holder of the option (the grantee) the right to compel the owner of the real property (the grantor) to sell the property at the agreed upon price and terms, and within the specified time. The grantor of the option is bound to enter into a contract for the sale of the real property if the grantee exercises the option in accordance with the terms of the option. As such, the grantee has an enforceable right to purchase the property under the conditions specified in the option agreement.

The CRA considers the supply of an option to purchase real property to be a supply of real property for GST/HST purposes.

Real property is defined in the *Excise Tax Act* (the Act) to include (other than in the Province of Quebec), lands and tenements of every nature and description and every estate or interest in real property, whether legal or equitable. Sale is defined in the Act to include, among other things, any transfer of the ownership of a property. Accordingly, the supply of an option to purchase real property constitutes a sale of real property and those provisions of the Act affecting the sale of real property apply.

If the supply of the option to purchase real property is a taxable supply, the consideration payable for the acquisition of the option is subject to the GST/HST. Where the recipient is registered, the supply of the option is subject to the self-assessment and reporting rules related to the acquisition of real property in the Act.

### **Place of supply**

The implementation of the HST in Ontario and British Columbia has not changed the real property place of supply rules. The Act provides that a supply of real property is made in a province if the property is situated in the province. Where the supply includes the provision of real property situated in two or more provinces, separate taxable supplies of real property are deemed to be made for each part of the real property that is located



in a particular province, for separate consideration equal to the proportion of the total consideration reasonably attributable to each part of the real property. Each supply is subject to the GST/HST at the rate in effect in each of the respective provinces.

#### Example

A builder is selling a new home in northern Ontario for \$1,000,000. The same builder owns 20 acres of land in northern Manitoba worth \$10,000. The builder makes a single supply of granting an option to the purchaser for \$101,000 (10% of the total purchase price) to purchase both the Ontario home and the Manitoba land for \$1,010,000. The purchaser may exercise the option to purchase the two properties anytime within five years of the date the option is granted.

The supply of the option to purchase the two properties is a taxable supply of real property. Since the properties are situated in two provinces, the *Excise Tax Act* deems the supply of the real property to be two separate supplies made for separate consideration. HST at 13% applies to \$100,000 which is reasonably attributable to the deemed supply of the option to purchase the home in Ontario, and GST at 5% applies to \$1,000 which is reasonably attributable to the deemed supply of the option to purchase the Manitoba land.

For further information and additional examples regarding the application of the place of supply rules for supplies of real property, refer to GST/HST Technical Information Bulletin B-103, *Harmonized Sales Tax - Place of supply rules for determining whether a supply is made in a province*.

GST/HST Memoranda 19.5, *Land and Associated Real Property*, addresses the issue of an option to purchase real property in more detail.

### **HST place of supply rules for goods supplied by way of sale and freight transportation services**

Taxable (other than zero-rated) supplies that are made in Canada are subject to GST at a rate of 5% if made in a non-participating province and are subject to HST at the harmonized rate if made in a participating province (13% if made in Ontario, New Brunswick and Newfoundland and Labrador, 15% if made in Nova Scotia and 12% if made in British Columbia). Different place of supply rules apply to determine the province in which different types of supplies are made. These rules apply to all supplies made in Canada and can result in suppliers that make supplies in multiple provinces having to collect tax at different rates. The place of supply rules that determine the province in which supplies of goods by way of sale and supplies of freight transportation services are made are explained below. The place of supply rules for goods supplied by way of sale and freight transportation services have not changed as a result of the implementation of the HST in Ontario and British Columbia.

#### **Supply of goods by way of sale**

A supply of a good by way of sale is deemed to be made in a province if the supplier delivers the good or makes it available in the province to the recipient of the supply.

The application of this place of supply rule is generally based on the province in which legal delivery of the good to the purchaser occurs.

#### Example

A supplier in Ontario agrees to sell a good to a purchaser in Manitoba. Based on the terms of delivery in the agreement for the supply of the good, legal delivery of the good to the purchaser occurs in Manitoba. The supply of the good is made in Manitoba. Therefore, the supplier is required to collect, and the purchaser is required to pay, GST at a rate of 5% in respect of the supply.

For purposes of the place of supply rule, a good is also deemed to be delivered in a particular province, and not in any other province, if the supplier either

- ships the good to a destination in the particular province that is specified in the contract for carriage of the good or transfers possession of the good to a common carrier or consignee that the supplier has retained on behalf of the recipient to ship the good to such a destination; or
- sends the good by mail or courier to an address in the particular province.

#### Example

A supplier in Alberta agrees to sell a good to a purchaser in Ontario. Based on the terms of delivery in the agreement for the supply, legal delivery of the good to the purchaser occurs in Alberta. However, the supplier agrees to send the good by mail to the purchaser in Ontario. The supply of the good is made in Ontario. Therefore, the supplier is required to collect, and the purchaser is required to pay, HST at a rate of 13% in respect of the supply.

### Supply of freight transportation services

A supply of a freight transportation service is made in a province if the destination of the service is in the province.

#### Example 1

An individual in British Columbia hires a courier to transport a parcel from British Columbia to Alberta. The supply of the freight transportation service by the courier is made in Alberta because the destination of the service is in Alberta. As a result, the courier is required to collect, and the purchaser is required to pay, GST at a rate of 5% in respect of the supply of the freight transportation service.

#### Example 2

An individual in Saskatchewan hires a carrier to transport a good to Ontario. The supply of the freight transportation service made by the courier is made in Ontario because the destination of the service is in Ontario. As a result, the courier is required to collect, and the purchaser is required to pay, HST at a rate of 13% in respect of the supply of the freight transportation service.

For further information and additional examples regarding the application of the place of supply rules for supplies of goods by way of sale, for supplies of freight transportation services and the place of supply rules for other types of supplies, refer to GST/HST Technical Information Bulletin B-103, *Harmonized Sales Tax - Place of supply rules for determining whether a supply is made in a province*.

### Late filing or failure to file form GST106 – avoid the penalty

GST/HST registrants that pay or credit a rebate amount under the Foreign Convention and Tour Incentive Program (FCTIP), and that claim a deduction on their GST/HST return for the rebate amount paid or credited, must file form GST106, *Information on Claims Paid or Credited for Foreign Conventions and Tour Packages*, to provide additional information about the amounts paid or credited. GST/HST registrants that may have to file form GST106 include:

- with respect to eligible tour packages, a GST/HST registrant that pays or credits the rebate amount to a non-resident, non-registered tour operator or to a non-resident individual, business, or organization; and
- with respect to foreign conventions:
  - a GST/HST registrant organizer of a foreign convention that pays or credits the rebate amount to the sponsor;
  - a GST/HST registrant operator of a convention facility that is not the organizer of a foreign convention that pays or credits the rebate amount to the sponsor or the non-registered organizer; and
  - a GST/HST registrant supplier of short-term or camping accommodation that is not the organizer of a foreign convention that pays or credits the rebate amount to the sponsor or the non-registered organizer.

Please note that there are different eligibility criteria for the FCTIP rebates, and conditions for paying or crediting the rebate amounts. Refer to guide RC4036, *GST/HST Information for the Travel and Convention Industry* for additional information.

### **Filing form GST106 – for GST/HST registrants that pay or credit a rebate amount**

GST/HST registrants that pay or credit the rebate amount for eligible tour packages or foreign conventions must include the full amount of the GST/HST collected or collectible on the supply, and claim a deduction for the rebate amount paid or credited on their GST/HST return. These GST/HST registrants must then file form GST106, *Information on Claims Paid or Credited for Foreign Conventions and Tour Packages* for each reporting period in which the registrant paid or credited a rebate amount and claimed a deduction for which:

- the applicable GST/HST collected or collectible on the supply of the eligible tour package, convention facility or related convention supplies, as the case may be, became payable after March 2007; and
- the registrant claimed a deduction for a rebate amount paid or credited to a person after March 2007.

The form must be filed no later than the due date of the GST/HST return for the reporting period in which the amount is deducted. There are consequences to not filing form GST106 by the due date.

### **Late filing of and failure to file form GST106**

The consequences of not filing form GST106 by the due date depend on when the form is filed. Registrants who fail to file the form on or before the due date of the GST/HST return in which they claimed the deduction must add an amount equal to interest (at the prescribed rate), calculated on the amount claimed as a deduction, to their net tax. However, if the form is not filed by the earlier of:

- the day that is four years after the due date of the GST/HST return on which they claimed the deduction; and
- the day stipulated in a demand to file the information,

the registrant must repay the amount previously claimed as a deduction and add an amount equal to interest (at the prescribed rate), calculated on the amount claimed as a deduction, to their net tax.

### **Further information**

Further information on the FCTIP and filing form GST106 is available on the CRA Web site:

- GST/HST Memorandum 27-2, *Conventions*
- GST/HST Memorandum 27-3, *Foreign Convention and Tour Incentive Program – Rebate for Eligible Tour Packages and Accommodation Supplied as Part of Eligible Tour Packages*
- GST/HST Info Sheet GI-031, *Foreign Convention and Tour Incentive Program - Registrant Organizers and Convention Facility Operators: Paying and Crediting the Rebate Amount for Foreign Conventions*
- GST/HST Info Sheet GI-032, *Non-Residents Purchasing Tour Packages: Rebate for Eligible Tour Packages*
- Guide RC4036, *GST/HST Information for the Travel and Convention Industry*

### **Residential care**

A provision of the *Excise Tax Act* exempts a supply of a service of providing care, supervision and a place of residence to children, underprivileged individuals or individuals with a disability in an establishment operated by the supplier for the purpose of providing such services. Generally, the supply of residential care services provided in a group home by the operator of the home directly to children that are residents of the home would be exempt pursuant to this provision.



---

However, persons that enter into agreements with organizations such as Children's Aid Societies to facilitate the placement of children in a foster home are not making an exempt supply under this provision. Such persons may wish to contact their local GST/HST Rulings Centre to confirm the tax status of their supplies.

To find your GST/HST Rulings Centre please see pamphlet RC4405, *GST/HST Rulings - Experts in GST/HST Legislation* or call 1-800-959-8287.

### **Suppliers to government entities (government purchases)**

All Government of Canada entities are required to pay the GST/HST on their purchases of taxable supplies of property or services. In addition, the following provincial and territorial governments are required to pay the GST/HST pursuant to agreements with the Government of Canada: British Columbia, Ontario, New Brunswick, Nova Scotia, Newfoundland and Labrador, Prince Edward Island and Nunavut. Therefore, suppliers are obligated to charge and collect GST/HST at the appropriate rate of tax when they make a taxable supply (other than a zero-rated supply) to the federal government or any of these provincial governments. (Special rules may apply to supplies of real property. For more information, see GST/HST Memoranda Series Chapter 19, *Special Sectors: Real Property*).

The provincial and territorial governments of Alberta, Saskatchewan, Manitoba, Quebec, Yukon and Northwest Territories are not required to pay the GST/HST on their acquisitions. As such suppliers are not required to charge GST/HST to eligible entities that are part of these provincial and territorial governments, where these entities provide satisfactory documentary evidence to establish that they are entitled to acquire taxable supplies free of GST/HST.

If you require further information please refer to GST/HST Memorandum 18.2, *Provincial Governments* or you may contact a GST/HST Rulings Officer at 1-800-959-8287. If you are located in Quebec, please contact Revenu Québec by calling 1-800-567-4692 or visit their Web site at [www.revenu.gouv.qc.ca](http://www.revenu.gouv.qc.ca).

### **Point-of-sale rebate on children's goods – dancewear**

As of July 1, 2010, the governments of Ontario, British Columbia and Nova Scotia each provide a point-of-sale rebate of the provincial part of the HST payable on qualifying children's goods. In these provinces, the rebate applies to supplies of children's clothing, footwear, and diapers. Additionally, in Ontario and British Columbia, the rebate applies to supplies of children's car seats and car booster seats. The rebate is available to persons that are recipients of qualifying children's goods supplied in Ontario, British Columbia or Nova Scotia, or that are resident in any of those provinces and that import qualifying children's goods in circumstances where the provincial part of the HST is payable on the importation, or that receive delivery or possession of qualifying children's goods into Ontario, British Columbia or Nova Scotia in circumstances where the provincial part of the HST is payable on the children's goods.

Under the relevant provincial regulations and the *Deduction for Provincial Rebate (GST/HST) Regulations* under the *Excise Tax Act*, children's clothing and footwear are qualifying items for purposes of the rebate unless they are not designed for children, do not meet the size requirements, or are of a class that is used exclusively in sports or recreational activities.

Dance is considered to be a recreational activity for purposes of the rebate. Therefore, any items of dance clothing or dance footwear that are of a class that is used exclusively in dance are not qualifying items for purposes of the rebate. The CRA considers ballet point shoes, tap shoes, flamenco shoes, various types of tutus and tutu ensembles, and dance costumes not to be qualifying items for purposes of the rebate.

The nature of items such as dance skirts, pants, shorts, leg warmers, leotards, unitards, bodysuits, tights, ballet slippers, jazz shoes, and ghillies for example, is such that they could reasonably be worn for purposes that are not exclusively for dance. As a result, these items qualify for purposes of the rebate if the other requirements under the above noted regulations are met.

Note that dance accessory items such as make-up, jewellery, hairnets, ballet or point shoe ribbon, toe spacers, or cushion inserts for shoes are not clothing or footwear and therefore, are not qualifying items for purposes of the rebate.

For further information, see GST/HST Info Sheet GI-063, *Harmonized Sales Tax for Ontario, British Columbia and Nova Scotia – Point-of-Sale Rebate on Children's Goods*.

### **Application of GST/HST to medical marihuana**

The *Excise Tax Act* contains provisions that zero-rate (tax at the rate of 0%) a broad range of drugs that are regulated under federal legislation. Federally-regulated consumer drugs are generally zero-rated if a prescription is required before they can be sold to a consumer. On the other hand, federally-regulated drugs that may be purchased by a consumer without a prescription are generally subject to GST/HST.

Marihuana is regulated as a controlled substance under the *Controlled Drugs and Substances Act* (CDSA). The *Marihuana Medical Access Regulations*, made under the CDSA, provide that dried marihuana may, for medical purposes, be sold without a prescription to a consumer who is the holder of an "authorization to possess". Accordingly, dried marihuana that is purchased by a consumer in accordance with the Marihuana Medical Access Regulations is not acquired pursuant to a prescription and, therefore, is not zero-rated but subject to GST/HST at the applicable rate.

### **Filing GST/HST returns without a Web access code (WAC)**

You can file all of your GST/HST returns electronically through My Business Account using a single password instead of multiple Web access codes (WAC). A WAC is a personalized code that the CRA assigns to you to access the secure areas of the CRA's Internet filing Web pages.

Business owners registered with My Business Account can file their GST/HST returns electronically without a WAC by using the "File a return service" at [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount). Authorized representatives, including employees of a business, can also file returns electronically at [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives).

### **Prescribed rates of interest**

The prescribed annual rate of interest in effect from January 1, 2011, to March 31, 2011, on overdue amounts payable to the Minister is 5%. The prescribed annual rate of interest on amounts owed by the Minister (i.e., rebates or refunds) is 1% for corporate taxpayers and 3% for non-corporate taxpayers. These rates are applicable to income tax, excise tax, the softwood lumber products export charge, GST/HST and the air travellers security charge (ATSC) and excise duty on wine, spirits and tobacco.

The prescribed annual rate of interest respecting excise duty on beer, on overdue amounts payable for the indicated period, is set at 3%. Refund interest rates are not applicable for amounts owed by the Minister (i.e., rebates or refunds) for excise duty that is in relation to beer.

Period	Income Tax, Excise Tax, Softwood Lumber Products Export Charge, GST/HST and ATSC, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)
	Refund Interest	Arrears and Instalment Interest	Arrears Interest
<b>2011</b>			
January 1 – March 31	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%
<b>2010</b>			
October 1 – December 31	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%
July 1 – September 30	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%
April 1 – June 30	3%	5%	3%
January 1 – March 31	3%	5%	3%

Prescribed interest rates for previous years are available on the CRA Web site at [www.cra.gc.ca/interestrates](http://www.cra.gc.ca/interestrates).

### What's new in publications

The following is a list of new or revised excise and GST/HST forms and publications.

#### GST/HST forms

GST22	<i>Real Property - Election to Make Certain Sales Taxable</i>
GST116	<i>Application, Renewal, or Revocation of the Authorization for a Qualifying Institution to Use Particular Input Tax Credit Allocation Methods</i>
GST118	<i>Election or Revocation of an Election for a Financial Institution to use the Prescribed Percentage</i>
GST469	<i>Direct Deposit Request (Non-Personalized)</i>
GST525	<i>Supplement to the New Residential Rental Property Rebate Application - Co-op and Multiple Units</i>
RC1A	<i>Business Number (BN) - GST/HST Account Information</i>
RC1C	<i>Business Number (BN) - Import/Export Account Information</i>
RC59	<i>Business Consent Form</i>
RC193	<i>Service-Related Complaints</i>
RC4521	<i>Application for a Financial Institution of a Prescribed Class to be Designated as a Qualifying Institution or Revocation of a Previously Granted Designation</i>
RC4522	<i>Election or Revocation for a Qualifying Institution to Use Particular Methods Specified in an Application under subsection 141.02(18)</i>
RC4530	<i>Election or Revocation of an Election to use a Production Proxy to Report the Recapture of Input Tax Credits</i>
RC4531	<i>Election or Revocation of an Election to use the Estimation and Reconciliation Method to Report the Recapture of Input Tax Credits</i>
RC4600	<i>Election or Revocation of an Election Under Subsection 217.2(1)</i>
RC4610	<i>Election and Revocation of an Election to Exclude Non-Resident Investment Holdings from the Calculation of the Provincial Attribution Percentages</i>
RC4612	<i>Application to Not be Considered a Selected Listed Financial Institution</i>
RC4613	<i>Election to Use the Scientific Research and Experimental Development Proxy to Report the Recapture of Input Tax Credits</i>
RC7524-BC	<i>GST524 British Columbia Rebate Schedule</i>
RC7524-ON	<i>GST524 Ontario Rebate Schedule</i>



### **GST/HST info sheets**

- GI-114      *Application of GST/HST to Indian Individuals*
- GI-115      *Application of GST/HST to Indian Bands and Band-empowered Entities*
- GI-116      *Information for Businesses Located on a Reserve*
- GI-117      *Information for Off-reserve Businesses that Sell Goods or Provide Services to Indians, Indian Bands, or Band-empowered Entities*

### **GST/HST guides and pamphlets**

- RC2          *The Business Number and Your Canada Revenue Agency Program Accounts*
- RC188       *Keeping Records*
- RC4022      *General Information for GST/HST Registrants*
- RC4034      *GST/HST Public Service Bodies' Rebate - Includes Forms GST66 and RC7066 SCH*
- RC4420      *Information on CRA - Service Complaints, Includes Form RC193, Service-Related Complaint*

### **GST/HST memoranda**

- 14-4          *Sale of a Business or Part of a Business*

### **GST/HST notices**

- Notice260    *Modified Procedures for Filing Form RC4604, GST/HST Reporting Entity, Consolidated Filing and Tax Adjustment Transfer Elections and Revocations for a Selected Listed Financial Institution*
- Notice261    *Information Required for Tax Adjustment Notes Issued by an Employer to a Pension Entity and the Consequential Notices Issued by the Pension Entity*
- Notice262    *Notice of Change, GST/HST Memorandum 28-3, Passenger Transportation Services*

### **GST/HST technical information bulletins**

- B-105        *Changes to the Definition of Financial Service*

### **Excise taxes and special levies notices**

- ETSL64       *Related document: Listing of Vehicles and Associated Tax Rates for 2011*

### **Excise duty notices**

- EDBN15      *New Filing Period for Licensed Brewers*
- EDN26       *New Excise Stamp Security Features*
- EDN27       *New Reporting Period for Licensees*

### **Softwood lumber products export charge notices**

- SWLN33      *Surge Charge – Alberta Region (November 2010)*
- SWLN34      *Surge Charge – Alberta Region (December 2010)*
- SWLN35      *Additional Export charge for Ontario and Quebec Regions*

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at [www.cra.gc.ca/gsthsttech](http://www.cra.gc.ca/gsthsttech), at [www.cra.gc.ca/etsl](http://www.cra.gc.ca/etsl), and at [www.cra.gc.ca/exciseduty](http://www.cra.gc.ca/exciseduty).

---

## Enquiries

**For online access to account balances, transactions and more** for your GST/HST, softwood lumber products export charge, air travellers security charge as well as excise taxes and duty accounts, visit [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

**For general information and to make enquiries regarding your account** (except for softwood lumber products export charge accounts), call Business Enquiries at 1-800-959-5525.

**For enquiries regarding your softwood lumber products export charge account**, call 1-800-935-0313.

**To make enquiries regarding the status of specific GST/HST domestic rebate claims**, call 1-800-565-9353.

**For GST/HST technical enquiries** call GST/HST Rulings at 1-800-959-8287.

### Forms and publications

To access forms and publications online visit [www.cra.gc.ca/orderforms](http://www.cra.gc.ca/orderforms).

To order forms and publications by telephone call 1-800-959-2221.

### Are you a GST/HST registrant located in Quebec?

To make an enquiry or obtain information on the GST/HST, contact Revenu Québec at 1-800-567-4692 or visit their Web site at [www.revenu.gouv.qc.ca](http://www.revenu.gouv.qc.ca).

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), First Nations goods and services tax (FNGST) and First Nations tax (FNT), softwood lumber products export charge, air travellers security charge (ATSC) as well as excise taxes and duties. If you would like to receive a link to each new edition of the *Excise and GST/HST News* as it is published, subscribe to the electronic mailing list.

This publication is provided for information purposes only and does not replace the law, either enacted or proposed. Please note that any commentary in this newsletter regarding proposed measures should not be taken as a statement by the CRA that such measures will in fact be enacted into the law in their current form. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, ON K1A-0L5.





## Excise and GST/HST News

No. 80

Spring 2011

## Table of Contents

Recently published GST/HST regulations .....	1
Builders and reporting GST/HST new housing rebates, provincial new housing rebates and provincial transitional new housing rebates on GST/HST returns filed electronically .....	1
Point-of-sale rebate on qualifying books for the participating provinces and on newspapers for Ontario only .....	5
Public service bodies' rebates for public service bodies resident in more than one province, at least one of which is a participating province .....	6
Exempt health care services .....	8
Nunavut Inuit of Nunatsiavut .....	11
Don't waste time filing your GST/HST return twice .....	11
What's new for GST/HST electronic filing? .....	11
What's new in My Business Account? .....	12
New stamping regime for tobacco products .....	13
What's new in publications .....	14
Inquiries .....	16

## Recently published GST/HST regulations

The following GST/HST regulations were published on March 16, 2011, in the Canada Gazette:

- the *Credit for Provincial Relief (HST) Regulations*
- the *Security Interest (GST/HST) Regulations* and
- the *Regulations Amending Various GST/HST Regulations, No. 2*
- which amends these regulations:
  - Closely Related Corporations (GST/HST) Regulations;*
  - Financial Services (GST/HST) Regulations;*
  - Games of Chance (GST/HST) Regulations;*
  - Joint Venture (GST/HST) Regulations;*
  - Streamlined Accounting (GST/HST) Regulations;*
  - Deduction for Provincial Rebate (GST/HST) Regulations;*
  - New Harmonized Value-Added Tax System Regulations;*
  - New Harmonized Value-Added Tax System Regulations, No. 2.*



## Builders and reporting GST/HST new housing rebates, provincial new housing rebates and provincial transitional new housing rebates on GST/HST returns filed electronically

It is important for builders to report their rebates correctly on their GST/HST returns and to ensure that their rebate applications are sent to the CRA on a timely basis. Inaccurate reporting can result in processing

**Business Account:** To view your account balance and transactions; request additional remittance vouchers; file and adjust a GST/HST return, and view its status; calculate your instalment payments; view notices, letters and statements; view address and banking information; authorize or manage representatives; transfer payments and immediately view an updated balance; go to [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

**GST/HST NETFILE:** Faster processing and refunds, immediate confirmation of receipt, and no postal costs. Go to [www.cra.gc.ca/gsthst-netfile](http://www.cra.gc.ca/gsthst-netfile).

La version française de la présente publication est intitulée *Nouvelles sur l'accise et la TPS/TVH*.

delays, net tax assessments, penalty and interest charges and the retention of other refunds or rebates that they may be expecting from the CRA.

Please note that amounts that are assessed for GST/HST purposes may affect other accounts that a builder has with the CRA. Debits on a GST/HST account will be offset by credits that the builder may have on other CRA accounts.

### ***GST/HST new housing rebates and provincial new housing rebates***

Builders who pay or credit the amount of a GST/HST new housing rebate to a purchaser, including a provincial new housing rebate in respect of the provincial part of the HST, are entitled to claim a deduction in calculating their net tax for the reporting period in which they pay or credit the rebate amount, provided they have sent Form GST190, *GST/HST New Housing Rebate Application for Houses Purchased from Builder*, or the provincial new housing rebates (Forms RC7190-BC, RC7190-NS<sup>1</sup>, RC7190-ON) to the CRA on time and in the required manner.

Where a builder files its return electronically, the rebate applications should be sent to the Summerside Tax Centre no later than the day the return is filed electronically. Where a builder is entitled to file a paper return, rebate applications should be sent with the return.

In order to use these rebates to reduce their net tax for a reporting period, builders must claim the rebate amounts as an adjustment to ITCs on line 108 of their GST/HST return. In addition, builders that are required to file electronically must also report these rebate amounts on line 135 of their GST/HST return. Electronic filing options include GST/HST NETFILE, TELEFILE or, in some circumstances, EDI through some financial institutions.

If a builder does not report these rebate amounts in this manner, the CRA's processing of the builder's return may be delayed and penalty and interest charges may apply as follows:

#### **Failure to report on line 135 – rebate applications sent to CRA**

If a builder does not include the correct amount of the new housing rebates on line 135, the builder may be subject to a penalty of \$250 for each occasion that they fail to correctly report a rebate amount, even if the amount is included on line 108 and the builder sends the corresponding rebate applications to the CRA as required.

#### **Failure to report on line 135 – rebate applications not sent to CRA**

If a builder enters the new housing rebate amounts on line 108 but does not include the amounts on line 135 and does not send the corresponding rebate applications to the CRA as required, the builder may be subject to a penalty of up to 10% of the rebate amounts. The builder can also expect to be assessed for the amount of the rebates claimed on line 108 together with interest calculated from the date the return was due if the rebate applications are not provided at the time of the audit.

#### **Failure to send rebate applications to CRA**

If a builder reports the rebate amounts correctly but does not send the CRA the corresponding rebate applications, the builder can expect to be assessed, generally for the lesser of the amount of the rebates claimed

---

<sup>1</sup> However, if a builder entered into a written agreement of purchase and sale after April 6, 2010, and both ownership and possession are transferred under the agreement after June 2010, the builder cannot use form RC7190-NS. In this case the builder would have to claim a Nova Scotia new housing rebate with the Province of Nova Scotia. A deduction cannot be made against the net tax for HST purposes for a Nova Scotia new housing rebate that is claimed with the Province of Nova Scotia.



on line 135 or the total amount claimed on line 108 together with interest calculated from the date the return was due if the rebate applications are not received by the CRA within a reasonable time after filing the return<sup>2</sup>.

### Consequences of reporting new housing rebates on line 111

The GST/HST new housing rebates in respect of the GST or federal part of the HST or provincial new housing rebates in respect of the provincial part of the HST rebate cannot be included on line 111 of the GST/HST return and used to reduce an amount owing on the return. If a builder reports the GST/HST new housing rebates or provincial new housing rebates on line 111 instead of line 108 and line 135 of their GST/HST return, the builder will be assessed. Due to the incorrect reporting of the rebate amounts, the builder's net tax will not be reduced by the rebate amounts. When an amount is recorded on line 111, the CRA expects to receive certain types of rebate applications (for example, a provincial transitional new housing rebate or a rebate for tax paid in error). If the CRA does not receive the expected rebate applications, a notice of assessment is generated. Upon receipt of such an assessment, the builder can contact the CRA to request an adjustment to lines 108 and 135 of the return. In this situation, the builder may be subject to the penalty of \$250 for each occasion that they fail to correctly report a rebate amount on line 135, as indicated above.

### Provincial transitional rebates, other types of GST/HST rebates and lines 111, 1300 and 1301

Other types of rebates may be included on line 111 of the GST/HST return. These rebates are used to reduce the amount owing on the builder's return.

If a builder is **not required** to complete Schedule A of the GST/HST NETFILE return, the builder enters these rebate amounts directly on line 111.

If a builder is completing Schedule A of the GST/HST NETFILE return, these other types of rebates must be included on line 1300 or 1301, as follows.

#### Line 1300

If a purchaser assigns a provincial transitional new housing rebate to the builder and the builder wants to use the rebate amount to reduce the amount owing on the builder's return, the builder must report the rebate amount on line 1300 and send the rebate application (for Ontario and British Columbia use Forms RC7000-ON, *Ontario Retail Sales Tax (RST) Transitional New Housing Rebate* or RC7000-BC, *British Columbia Provincial Sales Tax (PST) Transitional New Housing Rebate*) to the Summerside Tax Centre no later than the day the return is electronically filed. Amounts reported on this line will automatically be included on line 111 and used to reduce the builder's amount owing.

If a builder wants to use the rebate amount to reduce the amount owing on the builder's return but does not include the amount on line 1300, the builder may be subject to a penalty of \$250 for each occasion that they fail to correctly report a rebate amount, even if the amount is included on line 111 and the builder sends the corresponding rebate applications to the CRA as required.

#### Line 1301

A builder who is entitled to claim a provincial transitional new housing rebate (for example, in respect of a condominium unit or in respect of a self-supply), and who wants to use the rebate amount to reduce its amount owing, must report the rebate amount on line 1301 if the builder is completing Schedule A of the GST/HST NETFILE return. Amounts reported on line 1301 will also be automatically included on line 111 and used to reduce the builder's amount owing.

<sup>2</sup> Generally, an assessment would not be raised if the rebate applications are received by the CRA prior to the issuance of the assessment, regardless of when the applications are received.



If a builder is required to complete Schedule A and wants to use the rebate amount to reduce the amount owing on the builder's return but does not include the amount on line 1301, the builder may be subject to a penalty of \$250 for each occasion that they fail to correctly report a rebate amount, even if the amount is included on line 111 and the builder sends the corresponding rebate applications to the CRA as required.

If a builder is not required to complete Schedule A, the builder must report the rebate amount on line 111 of the return.

In either case, the builder must send the rebate application (for Ontario and British Columbia use forms RC7000-ON or RC7000-BC using Application Type 1, RC7001-ON, *Ontario Retail Sales Tax (RST) Transitional New Housing Rebate – Condominiums*, RC7001-BC, *British Columbia Provincial Sales Tax (PST) Transitional New Housing Rebate – Residential Condominiums*, RC7002-ON, *Ontario Retail Sales Tax (RST) Transitional New Housing Rebate – Apartment Buildings*, or RC7002-BC, *British Columbia Provincial Sales Tax (PST) Transitional New Housing Rebate – Apartment Buildings*) to the Summerside Tax Centre no later than the day the return is electronically filed.

Some other rebates that a builder is entitled to claim, for example, a GST/HST new residential rental property rebate, must also be reported on line 1301 if the builder is required to complete Schedule A and wants to use these rebates to reduce the amount owing on its return. Otherwise, these other rebate amounts would be included on line 111.

#### **Builder is a public service body**

If a builder is a public service body (PSB) entitled to claim a PSB rebate and is required to complete Schedule A, the amount of the PSB rebate **should not** be included on line 1301. Before completing Schedule A, the builder must complete the on-line PSB rebate application form. This form automatically opens when the builder indicates at the beginning of the GST/HST NETFILE filing process that it wants to file a PSB rebate application along with its return. The total rebate amount (line 409 of the PSB rebate application form) will automatically be carried over to line 409 of Schedule A. If the PSB is not required to complete Schedule A and wants to use the amount of a PSB rebate to reduce the amount owing on its return, the amount of the PSB rebate will automatically be carried over to line 111 of the return.

#### **Consequences of a builder not reporting rebate amounts correctly**

Where a builder uses a rebate amount to reduce the amount owing on its return, sends the rebate application to the CRA and does not correctly report the rebate amount on line 1300, 1301 or 111, the builder may receive a cheque for the rebate amount. In this case, the rebate amount is paid to the builder as there is no indication on the builder's return that an offset was made by the builder. In this case, the builder is required to pay the rebate overpayment and any applicable interest to the Receiver General.

If a builder is entitled to, and files, a paper return and reports any of these other types of rebates on their return, the applications for these rebates should be sent with the return. Where the builder files its return electronically, the rebate applications should be sent to the Summerside Tax Centre no later than the day the return is filed.

If a builder correctly reports an amount for these types of rebates on the return and the CRA does not receive the rebate applications, the builder will be assessed for the amount of the rebates and interest will apply from the date the return was due.

#### **More information**

For more information see the series of GST/HST Info Sheets which cover many topics relating to housing rebates and builders (from GI-083 to GI-101). For more information specifically related to electronic filing, see

GST/HST Info Sheet GI-099, *Builders and Electronic Filing Requirements*. For detailed information for builders using GST/HST NETFILE please see GST/HST Info Sheet GI-118, *Builders and GST/HST NETFILE*.

### **Point-of-sale rebate on qualifying books for the participating provinces and on newspapers for Ontario only**

The governments of Nova Scotia, New Brunswick and Newfoundland and Labrador each provide a point-of-sale rebate of the provincial part of the HST payable on supplies of qualifying books. As of July 1, 2010, the governments of Ontario and British Columbia also provide the same rebate. Collectively, these provinces are referred to as the participating provinces.

The rebate is available to persons who are recipients of qualifying books supplied in the participating provinces, or who are resident in any of those provinces and who import qualifying books in circumstances where the provincial part of the HST is payable on the importation, or who bring qualifying books into a participating province in circumstances where the provincial part of the HST is payable on the books.

The rebate is available at any point in the distribution chain of the qualifying books. For example, the rebate is available to recipients who are wholesalers, retailers or consumers. This includes a publisher or other person who arranges to have a qualifying book printed by a printer. In such a case, the printer may offer the rebate to the recipient, so that the printer only collects the 5% federal part of the HST.

A printer may offer the rebate on qualifying books since the CRA considers that, generally, printing is the supply of tangible personal property and not a service. Upon printing of a book, new property is produced and ownership transferred to the recipient of the supply.

Some printed material is specifically excluded from the definition of printed book, such as a calendar, a brochure or pamphlet, as well as a sales catalogue, and the rebate is therefore not available for such items. GST/HST Info Sheet GI-065, *Harmonized Sales Tax for Ontario and British Columbia – Point-of-Sale Rebate on Books* outlines the exclusions in more detail. These exclusions apply to all of the participating provinces.

Where the printer assumes responsibility for the shipping and handling of the qualifying books, the shipping and handling fees are considered to be part of the price of the books, even if they are invoiced as a separate item. As a result, the rebate is also available in respect of these fees.

Charges for other specific services such as graphic design or cataloguing related to the printing of a qualifying book may be eligible for the rebate if they are considered to be part of a single supply of the qualifying book. The determination of whether a transaction consisting of several elements, such as printed books and graphic design, is to be regarded as a single supply or multiple supplies is a question of fact. The CRA uses a number of principles to make such a determination. However, because of the variety of situations in which such a determination must be made, it is difficult to provide guidance covering every eventuality. For example, a single invoice for both printing and graphic design services does not automatically mean that there is one supply. Equally, separately identified charges or invoices for printing and graphic design services do not necessarily mean that there are two or more supplies. To assist in making this determination, CRA applies the guidelines set out in GST/HST Policy Statement P-077, *Single and Multiple Supplies*.

Info Sheet GI-065 also explains the invoicing options when applying the rebate and the mechanism for the printer to remit only the federal part of the HST in respect of the supply of a qualifying book. It also explains how a recipient can file an application to receive the rebate from the CRA where the printer did not credit the rebate to the recipient.



### **Point-of-sale rebate on newspapers for Ontario only**

In addition, as of July 1, 2010, the government of Ontario provides a point-of-sale rebate on qualifying newspapers. As in the case of qualifying books, the rebate is available at any point in the distribution chain, including when a printer prints a qualifying newspaper. GST/HST Info Sheet GI-060, *Harmonized Sales Tax for Ontario – Point-of-Sale Rebate on Newspapers* provides more detail on this rebate, including what constitutes a qualifying newspaper.

### **Public service bodies' rebates for public service bodies resident in more than one province, at least one of which is a participating province**

Many public service bodies (PSBs) are eligible for a PSB rebate of the GST or the federal part of the HST paid or payable on eligible purchases and expenses. PSBs entitled to claim the PSB rebate include charities, qualifying non-profit organizations (i.e., non-profit organizations that receive at least 40% government funding) and selected PSBs (i.e., school authorities, universities, or public colleges that are established and operated other than for profit; hospital authorities; municipalities; facility operators; or external suppliers).

If a PSB is resident in a participating province (i.e., Ontario, Nova Scotia, New Brunswick, British Columbia, or Newfoundland and Labrador), it may also be eligible for a PSB rebate of the provincial part of the HST paid or payable on eligible purchases and expenses.

Where a PSB is resident in more than one province, at least one of which is a participating province, the PSB will calculate its PSB rebate of the provincial part of the HST paid or payable on eligible purchases and expenses based on the extent it intended to consume, use or supply the eligible purchases and expenses in the course of its activities engaged in each province in which it is resident based on the following:

- where the PSB incurred HST in a participating province in which it **is** resident, it is eligible for a PSB rebate of the provincial part of that HST paid or payable on eligible purchases and expenses based on the extent the PSB intended to consume, use or supply the eligible purchases and expenses in the course of its activities engaged in each participating province in which it **is** resident;
- where the PSB incurred HST in a participating province in which it **is not** resident, it is eligible for a PSB rebate of the provincial part of that HST paid or payable on eligible purchases and expenses based on the extent the PSB intended to consume, use or supply the eligible purchases and expenses in the course of its activities engaged in each participating province in which it **is** resident; and
- where the PSB incurred HST on eligible purchases and expenses that are for consumption, use or supply in the course of its activities engaged in a province in which it **is not** resident, or for consumption, use or supply in the course of its activities engaged in outside participating provinces, a PSB rebate is not available for the provincial part of HST paid or payable on eligible purchases and expenses.



### Example 1

A charity, that is not a selected PSB, is resident in the participating provinces of Newfoundland and Labrador and New Brunswick. It acquired \$2,000 of eligible purchases of goods in Ontario and it paid \$260 in HST. The goods were not removed from Ontario within 30 days after they were delivered to the charity; therefore the HST the charity paid on these purchases did not qualify for a rebate for goods removed from a participating province. The extent the charity intended to use these goods in activities engaged in each province in which it is resident is:

Newfoundland and Labrador: 40%

New Brunswick: 60%

The provincial part of the HST paid on the eligible purchases and expenses from Ontario is \$160 ( $\$260 \times 8/13$ ). The federal part of the HST paid on the eligible purchases and expenses from Ontario is \$100 ( $\$260 \times 5/13$ ).

To calculate its PSB rebate of the federal part, the charity will multiply the federal part of the HST by the federal PSB rebate factor of 50%:

PSB rebate of the federal part of the HST:  $\$100 \times 50\%$  (federal rebate factor) = \$50

To calculate its PSB rebate of the provincial part of the HST, the charity will multiply the provincial part of the HST by the extent it intended to use the goods in activities engaged in each participating province in which it is resident and by the provincial rebate factor for each of those participating provinces:

Newfoundland and Labrador:  $\$160 \times 40\%$  (extent of use in activities engaged in Newfoundland and Labrador)  $\times 50\%$  (provincial rebate factor for Newfoundland and Labrador) = \$32

New Brunswick:  $\$160 \times 60\%$  (extent of use in activities engaged in New Brunswick)  $\times 50\%$  (provincial rebate factor for New Brunswick) = \$48

Of the \$260 in HST paid in Ontario, the charity will claim a PSB rebate of the federal part of \$50 plus the PSB rebate of the provincial part of the HST of \$80 (\$48 + \$32) for a total PSB rebate of \$130. The amount relating to the provincial part of the HST was determined based on the extent of use of the goods in activities engaged in the participating provinces in which the charity is resident and by using the relevant provincial rebate factors of the participating provinces in which the charity is resident.

### Example 2

A charity, that is not a selected PSB, is resident in the participating provinces of British Columbia and Nova Scotia. It acquired \$2,000 of eligible purchases of goods in Ontario and it paid \$260 in HST. The charity intends to only use these goods in its activities engaged in Ontario; however, it is not resident in Ontario.

As the charity is not resident in Ontario and the goods will not be used, consumed or supplied in the course of its activities carried on in a participating province in which it is resident, the charity will not be entitled to a PSB rebate of the provincial part of the HST paid in Ontario. However, the charity will be entitled to a PSB rebate of the federal part of the HST paid in Ontario; in this case, \$50 ( $\$260 \times 5/13 \times 50\%$ ).

In addition, the goods will not be removed from Ontario; therefore the charity will not qualify for a rebate for goods removed from a participating province.

### Example 3

A qualifying non-profit organization is resident in the participating provinces of Ontario and British Columbia and the non-participating province of Manitoba. It paid the following amounts in GST and HST on eligible purchases of goods in those three provinces: \$650 of HST in Ontario, \$2,400 of HST in British Columbia (for a total of \$3,050 in HST), and \$800 of GST in Manitoba. The goods were not removed from the participating province where they were purchased to another province within 30 days after they were delivered to the organization. Therefore the HST the organization paid on these purchases will not qualify for a rebate for goods removed from a participating province.

#### PSB rebate of the GST and federal part of the HST

To calculate the PSB rebate of the GST and the federal part of the HST, the organization will add the amount of GST paid in Manitoba (\$800) with the federal parts of the HST paid in Ontario and British Columbia. The federal part of the HST paid in Ontario is \$250 ( $\$650 \times 5/13$ ). The federal part of the HST paid in British Columbia is \$1,000 ( $\$2,400 \times 5/12$ ). The total of those three amounts will then be multiplied by the federal PSB rebate factor of 50%:

$[\$800 \text{ (Manitoba)} + \$250 \text{ (Ontario)} + \$1,000 \text{ (British Columbia)}] \times 50\%$  (rebate factor) = \$1,025.

### PSB rebate of the provincial part of the HST

To calculate its PSB rebate of the provincial part of the HST, the organization will multiply the provincial part of the HST paid by the extent it intended to use the goods in activities engaged in each participating province in which it is resident and by the applicable provincial PSB rebate factor for that participating province.

The organization intended to use the goods purchased in Ontario as follows:

- 60% in activities engaged in Ontario; and
- 40% in activities engaged in Manitoba.

The organization intended to use the goods purchased in British Columbia as follows:

- 80% in activities engaged in British Columbia; and
- 20% in activities engaged in Ontario.

Given that the intended use of the goods is not the same in each province in which the organization is resident, separate calculations are required to determine the PSB rebate of the provincial part of the HST.

### PSB rebate of the provincial part of the HST paid in Ontario

For the HST paid in Ontario, the provincial part of the HST is \$400 ( $\$650 \times 8/13$ ).

The PSB rebate of the provincial part of the HST paid in Ontario for activities engaged in Ontario would be:

$$\$400 \times 60\% \text{ (extent of use in activities engaged in Ontario)} \times 82\% \text{ (provincial rebate factor for Ontario)} = \$196.80$$

There is no PSB rebate of the provincial part of the HST paid in Ontario on goods that are for use in activities in Manitoba, as Manitoba is not a participating province. The total PSB rebate of the provincial part of the HST paid in Ontario will be \$196.80 ( $\$196.80 + \$0.00$ ).

### PSB rebate of the provincial part of the HST paid in British Columbia

For the HST paid in British Columbia, the provincial part of the HST is \$1,400 ( $\$2,400 \times 7/12$ ).

The PSB rebate of the provincial part of the HST paid in British Columbia for activities engaged in British Columbia would be:

$$\$1,400 \times 80\% \text{ (extent of use in activities engaged in British Columbia)} \times 57\% \text{ (provincial rebate factor for British Columbia)} = \$638.40$$

The PSB rebate of the provincial part of the HST paid in British Columbia for activities engaged in Ontario would be:

$$\$1,400 \times 20\% \text{ (extent of use in activities engaged in British Columbia)} \times 82\% \text{ (provincial rebate factor for Ontario)} = \$229.60$$

The total PSB rebate of the provincial part of the HST paid in British Columbia will be \$868.00 ( $\$638.40 + \$229.60$ ).

### Total PSB rebate

For the \$3,050 HST paid in Ontario and British Columbia and the \$800 GST paid in Manitoba, the charity will claim a PSB rebate of the federal part in the amount of \$1,025 plus the PSB rebate of the provincial parts of the HST in the amount of \$1,064.80 ( $\$196.80 + \$868.00$ ). The total PSB rebate of the organization for the period is \$2,089.80 ( $\$1,025 + \$1,064.80$ ).

For more information on PSB rebates, including applicable rebate factors and eligibility criteria, please see Guid RC4034, *GST/HST Public Service Bodies' Rebate*.

### Exempt health care services

The general rule under the *Excise Tax Act* (the Act) is that every recipient of a taxable supply, other than a zero-rated supply, made in Canada shall pay tax calculated at the rate of 5%, 12%, 13%, or 15% (depending on the place of supply) on the value of the consideration for the supply. There are certain exceptions to the general rule. The exceptions include certain health care services that are exempt for purposes of the GST/HST.



The health care services that are exempt from the GST/HST are listed in the Act. Exemptions include health care services rendered to individuals by provincially regulated health care professionals who are identified in the Act. Accordingly, health care services provided by the following licensed or otherwise certified health care professionals are generally exempt: physicians, dentists and orthodontists, registered nurses, registered nursing assistants, licensed or registered practical nurses, registered psychiatric nurses, optometrists, chiropractors, physiotherapists, chiropodists, audiologists, speech-language pathologists, occupational therapists, psychologists, podiatrists, midwives, dieticians, social workers, and dental hygienists.

Also exempt for GST/HST purposes are institutional health care services provided by operators of hospitals, private surgical facilities, nursing homes and other health care facilities when these services are rendered to patients or residents of the facilities. In addition, ambulance services provided by a person who is in the business of supplying such services are exempt.

The exemptions generally apply to basic health care services rendered to individuals; i.e., services that maintain health or that prevent disease or treat an injury, illness or disability of an individual, such as physical examinations and treatment supplied by licensed or certified health care professionals within the scope of their professions to address a medical or health symptom or condition of their patients or individual clients.

Finally, a health care service, whether or not listed above, is exempt to the extent that the service is insured by a province or territory under its public health insurance plan to provide for health care services for all insured persons of the province or territory. Note that this exemption applies only if, and to the extent that, the fee for the service is paid for or reimbursed by the plan.

#### **Other services provided by regulated health care professionals**

Other professional services such as management and administrative services provided by regulated health care professionals are not exempt. For instance, a service provided by a physician of overseeing research activities of a health care facility or educational institution is not exempt. Other examples of taxable services are research services, project consultation and facilitation services. In addition, such services provided by a registered nurse to a government, association, or a health care facility would fall outside the scope of the exemption for registered nurses.

#### **Cosmetic services**

The exemptions for health care services exclude cosmetic services as well as any separate supplies of property and services related to cosmetic service supplies. A cosmetic service supply is defined in the Act as a supply of a property or a service that is made for cosmetic purposes and not for medical or reconstructive purposes. Taxable cosmetic services include both surgical and non-surgical procedures generally aimed at enhancing one's appearance, such as liposuction, body enhancement procedures, hair replacement procedures, botulinum toxin injections, and teeth whitening, when not provided for the purpose of treating a medical condition or for reconstructive purposes. Any separate supply of property, such as the use of an operating room, drugs, and medical or surgical prostheses, or any separate supply of a service such as a diagnostic service, institutional health care service or nursing service is also taxable when the property or service relates to a cosmetic service.



### ***Taxable health care services***

Generally, any basic health care services rendered to individuals by the health care providers who are identified in the Act are exempt. Health care services provided by other therapists and health care workers are generally not exempt. While these other therapists and workers may be professionals in their fields and they may be certified in their province or territory, they are not identified in the Act. Therefore the Act's exemptions do not apply to their services even where, for example, the service is similar to a service performed by an identified health care provider, such as a nurse or physiotherapist. Some examples of therapists and other health care workers whose services are generally taxable for GST/HST purposes are (this is not an exhaustive list):

- assistants such as physiotherapy and occupational therapy assistants
- social service workers (this is a separate profession from social workers)
- laboratory technicians;
- psychometrists;
- nursing care aides;
- polysomnographic technologists;
- acupuncturists;
- kinesiologists;
- massage therapists;
- naturopaths;
- reflexologists;
- homeopaths;
- reiki therapists;
- sports therapists;
- rolfing therapists;
- traditional Chinese medicine providers;
- phlebotomists;
- personal support workers.

While there are no specific provisions in the Act that exempt the services rendered by the health care providers listed above, their services may qualify for exemption if they are included in another more general exemption. For example, supplies made by the operator of a nursing home of services rendered by nursing care aides are exempt when they form part of an exempt institutional health care service rendered to a resident of the nursing home. In addition, services similar to those rendered by the providers listed above may be exempt when rendered by an identified exempt health care provider. For instance, if physiotherapists are entitled under the provincial law that regulates physiotherapy services to perform acupuncture on their clients in the course of providing physiotherapy services, then their physiotherapy services that involve acupuncture would be exempt.

Please contact your GST/HST Rulings office at 1-800-959-8287 for information on how GST/HST applies to your supplies of health care services.

## **Labrador Inuit of Nunatsiavut**

Nunatsiavut, which means 'our beautiful land' in Inuttitut, is the homeland of Labrador Inuit. The Labrador Inuit is not an Indian Band and its Inuit members are not Indians under the *Indian Act*. Therefore, they are subject to the normal GST/HST rules.

Effective December 1, 2005, the Labrador Inuit became self-governing. Their government is called the Nunatsiavut Government. Also on December 1, 2005, the *Labrador Inuit Tax Treatment Agreement* (TTA) came into effect, providing for a 100% refund of the GST and the federal part of the HST paid on goods and services acquired by the Nunatsiavut Government and its eligible entities provided input tax credits are not available and the eligibility conditions in the TTA are met. The Nunatsiavut Government and its eligible entities may claim the self-government refund of the GST and the federal part of the HST using the Form GST66, *Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund*. The claim must be filed within four years after the tax was paid.

Effective August 20, 2007, the Nunatsiavut Government imposed a First Nations Goods and Services Tax (FNGST) on the Nunatsiavut lands described in Schedule I to the FNGST Act. These lands include the Labrador Inuit Lands and the Inuit communities of Nain, Hopedale, Makkovik, Postville, and Rigolet. The FNGST replaces the GST and federal part of the HST in the harmonized provinces. When the FNGST applies to a supply of a good or service, the GST or federal part of the HST does not. Everyone, including Indians, Indian bands, the Labrador Inuit and the Nunatsiavut Government is required to pay the FNGST and the provincial part of the HST on supplies of goods or services acquired from a registrant on the Nunatsiavut lands.

Information on the FNGST can be found in the following two publications on the CRA Web site: Guide RC4365, *First Nations Goods and Services Tax (FNGST)*, and GST/HST Notice254, *Collecting First Nations Taxes in a Participating Province*.

## **Don't waste time filing your GST/HST return twice**

GST/HST NETFILE is now available to all GST/HST registrants in order to file their GST/HST return, other than the GST/HST final return for selected listed financial institutions (Form GST494). If you are a GST/HST registrant, you may also be eligible to use one of three other electronic filing options: Electronic data interchange (EDI), GST/HST Internet File Transfer (GIFT) or GST/HST TELEFILE. You can also file online **without** a Web access code at [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

Once a return is filed using one of these electronic methods, you do not need to send CRA a paper copy of your return. To learn more about e-services for business please go to CRA's Web site at: [www.cra.gc.ca/electronicsservices](http://www.cra.gc.ca/electronicsservices).

If you choose to use EDI through your financial institution's Web site, you have the option of filing your return and payment together, filing a return with no payment, or paying an amount owing without filing a return (for example, if the return was already filed using GST/HST NETFILE).

## **What's new for GST/HST electronic filing?**

CRA has made several changes to the electronic filing of GST/HST returns and rebates, including a new electronic service to adjust returns. Here are some of the new services that have recently been introduced:

### **Adjust returns electronically via My Business Account**

You can now use the new "Adjust a return" service in My Business Account. This new service allows you to easily select and revise returns you have previously filed (some restrictions apply).

To use this service, go to [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount). If you are an authorized representative or employee, you can access this service through Represent a Client at [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives). You can also remit any amount owing electronically, at your financial institution, or by mail depending on your situation. For more information about electronic payments, go to [www.cra.gc.ca/electronicpayments](http://www.cra.gc.ca/electronicpayments).

### **Public service bodies' rebates**

If you are a registered public service body, you can use GST/HST NETFILE to electronically file your rebate application with your GST/HST return.

### **Ontario First Nations point-of-sale relief**

Form GST189, *General Application for Rebate of GST/HST* has been added to GST/HST NETFILE to allow you to include an eligible Ontario First Nation point-of-sale relief claim when filing your GST/HST return.

Please note that once a rebate is filed using GST/HST NETFILE, you do not need to send a paper copy of your rebate application to the CRA.

### **Reconciliation of Recaptured Input Tax Credits (Schedule C)**

CRA has added a new Schedule C to GST/HST NETFILE to allow registrants that have filed Form RC4531, *Election or Revocation of an Election to use the Estimation and Reconciliation Method to Report the Recapture of Input Tax Credits* to electronically file their annual RITC reconciliation.

### **Pension rebate amount transferred by a pension entity**

Line 136 has been added to all electronic filing services. Line 136 is used by a qualifying employer to report a pension rebate amount transferred to it by a pension entity. Line 136 must be reported when pension rebate amounts are included in the amount on line 108.

### **Electronic Data Interchange (EDI)**

CRA has expanded the EDI filing option to include Schedules B and C for the reporting and reconciliation of recaptured input tax credits. Check with your financial institution to see if they offer this filing option.

For more information on the GST/HST filing options available to you, go to [www.cra.gc.ca/gsthst-filing](http://www.cra.gc.ca/gsthst-filing).

GST/HST registrants located in the province of Québec should contact Revenu Québec for information on GST/HST electronic filing.

### **What's new in My Business Account?**

My Business Account has new and enhanced online services. Now, you can:

- adjust a previously filed GST/HST return
- transfer payments between program accounts (e.g., GST/HST to corporate) within the same 9-digit business number (BN). As before, you can still transfer payments within a program account.
- request that we stop the issuance of remittance vouchers that accompany notices and statements.

To use these online services:

- authorized representatives or employees, go to [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives)
- GST/HST registrants, go to [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount)

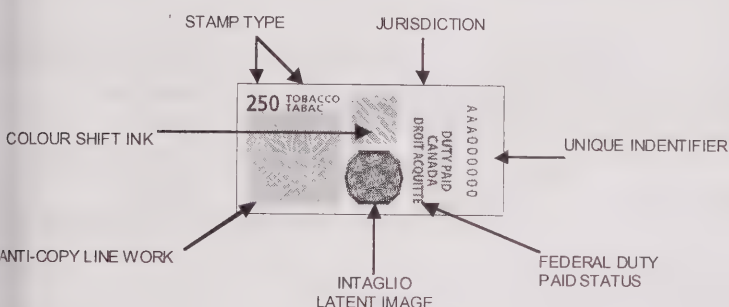


## New stamping regime for tobacco products

The *Excise Act, 2001* contains measures to implement a stamping regime for tobacco products in order to enhance the integrity of the tobacco taxation system and to combat the contraband tobacco market. This stamping regime came into effect on September 1, 2010.

As of April 1, 2011, all tobacco products entered into the duty-paid market or released under the *Customs Act* and destined for the duty-paid market must be stamped with the new excise stamp. To facilitate compliance with this requirement, the stamp was introduced with the transition period of September 2010 to March 2011.

A major feature of the new stamping regime was the development of a new excise stamp with visible features and overt and covert security features similar to those used in banknotes and passports as shown in the figure below.



Some of the visible features are: the size (20 × 40 mm), an indication of the type of tobacco product (e.g., 25 cigarettes, 200 cigarettes, 250 grams of tobacco and other types), a unique alphanumeric identification number, and the federal duty-paid status band. Some of the overt security features are: colour shift ink, ultraviolet visible ink, and an intaglio latent image - an engraved image that creates features that have unique tactility and visual effect.

The *Excise Act, 2001* specifies that excise stamps may only be issued to a tobacco licensee or a prescribed person who is importing tobacco products.

Valuable information for tobacco licensees and prescribed persons concerning the recent changes to the *Excise Act, 2001* can be found in the following notices:

EDN24, *New Stamping Regime for Tobacco Products*;

EDN26, *New Excise Stamp Security Features*;

EDN28, *Becoming a Prescribed Person under the New Tobacco Stamping Regime*;

EDN29, *Tobacco Stamping Regime – Excise Stamp Order Process*.

Please note that the excise stamp must be affixed in accordance with the *Regulations Amending the Stamping and Marking of Tobacco Products Regulations* (2011)(SOR/2011-6), which came into force February 16, 2011.

Tobacco products that are not intended for entry into the Canadian duty-paid market require “tobacco markings”. The *Regulations Respecting Prescribed Brands of Manufactured Tobacco and Prescribed Cigarettes* (SOR/2011-7), which came into force February 16, 2011, identify brands of manufactured tobacco and cigarettes that are conditionally exempted from the marking requirements.

For more information on the new stamping regime for tobacco products, see the September 14, 2009, CRA News Release, *New tobacco excise stamp on cigarette packages "One step closer against tobacco contraband"*, and Fact sheet, *Proposed amendments Enhanced stamping regime for tobacco products*.

### Prescribed rates of interest

The prescribed annual rate of interest in effect from April 1, 2011, to June 30, 2011, on overdue amounts payable to the Minister is 5%. The prescribed annual rate of interest on amounts owed by the Minister (i.e., rebates or refunds) is 1% for corporate taxpayers and 3% for non-corporate taxpayers. These rates are applicable to income tax, excise tax, the softwood lumber products export charge, GST/HST and the air travellers security charge (ATSC) and excise duty on wine, spirits and tobacco.

The prescribed annual rate of interest respecting excise duty on beer, on overdue amounts payable for the indicated period, is set at 3%. Refund interest rates are not applicable for amounts owed by the Minister (i.e., rebates or refunds) for excise duty that is in relation to beer.

Period	Income Tax, Excise Tax, Softwood Lumber Products Export Charge, GST/HST and ATSC, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)
	Refund Interest	Arrears and Instalment Interest	Arrears Interest
<b>2011</b>			
April 1 – June 30	1% corporate taxpayers	5%	3%
	3% non-corporate taxpayers		
January 1 – March 31	1% corporate taxpayers	5%	3%
	3% non-corporate taxpayers		
<b>2010</b>			
October 1 – December 31	1% corporate taxpayers	5%	3%
	3% non-corporate taxpayers		
July 1 – September 30	1% corporate taxpayers	5%	3%
	3% non-corporate taxpayers		

Prescribed interest rates for previous years are available on the CRA Web site at [www.cra.gc.ca/interestrates](http://www.cra.gc.ca/interestrates).

### What's new in publications

The following is a list of new or revised excise and GST/HST forms and publications.

#### **GST/HST forms**

GST22	<i>Real Property - Election to Make Certain Sales Taxable</i>
GST44	<i>Election Concerning the Acquisition of a Business or Part of a Business</i>
GST66	<i>Application for GST/HST Public Service Bodies' Rebate and GST Self-government Refund</i>
GST191	<i>GST/HST New Housing Rebate Application for Owner-Built Houses</i>
GST494	<i>Goods and Services Tax/Harmonized Sales Tax Final Return for Selected Listed Financial Institutions</i>
GST497	<i>Election Under the Special Attribution Method for Selected Listed Financial Institutions and Notice of Revocation</i>
GST518	<i>GST/HST Specially Equipped Motor Vehicle Rebate Application</i>
RC193	<i>Service-Related Complaints</i>
RC199	<i>Taxpayer Agreement - Voluntary Disclosures Program</i>
RC4091	<i>GST/HST Rebate for Partners - Includes Form GST370</i>
RC4288	<i>Request for Taxpayer Relief</i>

## ***GST/HST guides***

RC4034	<i>GST/HST Public Service Bodies' Rebate - Includes Forms GST66 and RC7066 SCH</i>
RC4050	<i>GST/HST Information for Selected Listed Financial Institutions</i>
RC4405	<i>GST/HST Rulings - Experts in GST/HST Legislation</i>

## ***GST/HST info sheets***

GI-074	<i>Ontario and British Columbia: Transition to the Harmonized Sales Tax - Prepaid Funeral and Cemetery Arrangements and Interment Rights (revised)</i>
GI-098	<i>Harmonized Sales Tax: Resales of New Housing in Ontario and British Columbia (revised)</i>
GI-101	<i>Harmonized Sales Tax: Information for Non-registrant Builders of Housing in Ontario, British Columbia and Nova Scotia (revised)</i>
GI-118	<i>Builders and GST/HST NETFILE</i>

## ***GST/HST technical information bulletins***

B-095	<i>The Self-assessment Provisions of Section 218.01 and Subsection 218.1(1.2) for Financial Institutions (Import Rules) (revised)</i>
-------	---

## ***GST/HST policy statements***

P-104	<i>Supply of Land for Recreational Units such as Mini homes, Park Model Trailers, and Travel Trailers</i>
-------	---

## ***GST/HST notices***

NOTICE263	<i>Maa-nulth First Nations</i>
NOTICE264	<i>Sales Made to Indians and Documentary Evidence - Temporary Confirmation of Registration Document</i>
NOTICE265	<i>GST/HST Registration for Listed Financial Institutions (Including Selected Listed Financial Institutions)</i>

## ***Excise duty forms***

B284	<i>Election or Revocation of the Election for Semi-Annual Reporting</i>
------	---

## ***Excise duty notices***

EDN28	<i>Becoming a Prescribed Person under the New Tobacco Stamping Regime</i>
EDN29	<i>Tobacco Stamping Regime - Excise Stamp Order Process</i>

## ***Softwood lumber products export charge notices***

SWLN36	<i>Surge Charge – Alberta Region (January 2011)</i>
SWLN37	<i>Refund of Alberta Surge Charge for October 2008</i>
SWLN38	<i>Surge Charge – Alberta Region (March 2011)</i>

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at [www.cra.gc.ca/gsthstech](http://www.cra.gc.ca/gsthstech), at [www.cra.gc.ca/etsl](http://www.cra.gc.ca/etsl), and at [www.cra.gc.ca/exciseduty](http://www.cra.gc.ca/exciseduty).



## Enquiries

**For online access to account balances, transactions and more** for your GST/HST, softwood lumber products export charge, air travellers security charge as well as excise taxes and duty accounts, go to [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

**For general information and to make enquiries regarding your account** (except for softwood lumber products export charge accounts), call Business Enquiries at 1-800-959-5525.

**For enquiries regarding your softwood lumber products export charge account**, call 1-800-935-0313.

**To make enquiries regarding the status of specific GST/HST domestic rebate claims**, call 1-800-565-9353.

**For GST/HST technical enquiries** call GST/HST Rulings at 1-800-959-8287.

## Forms and publications

To access forms and publications online go to [www.cra.gc.ca/orderforms](http://www.cra.gc.ca/orderforms).

To order forms and publications by telephone call 1-800-959-2221.

## Are you a GST/HST registrant located in Quebec?

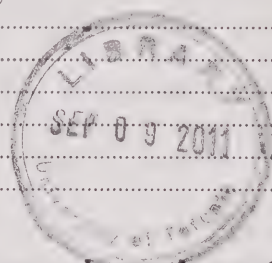
To make an enquiry or obtain information on the GST/HST, contact Revenu Québec at 1-800-567-4692 or visit their Web site at [www.revenuquebec.ca](http://www.revenuquebec.ca).

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), First Nations goods and services tax (FNGST) and First Nations tax (FNT), softwood lumber products export charge, air travellers security charge (ATSC) as well as excise taxes and duties. If you would like to receive a link to each new edition of the *Excise and GST/HST News* as it is published, [subscribe](#) to the [electronic mailing list](#).

This publication is provided for information purposes only and does not replace the law, either enacted or proposed. Please note that any commentary in this newsletter regarding proposed measures should not be taken as a statement by the CRA that such measures will in fact be enacted into the law in their current form. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch CRA, Ottawa, ON K1A 0L5.

## Table of Contents

GST/HST relief for Royal Canadian Legion purchases of Remembrance Day poppies and wreaths .....	1
PSB rebate for federal and provincial part of the HST must be calculated and claimed separately .....	1
Insurance claims – net-of-GST/HST method .....	2
Prescription drugs and medical devices supplied by pharmacies .....	4
How to access online services for business accounts .....	5
Need an Access Code? Try GST/HST Access Code Online .....	6
What's new in publications .....	7
Enquiries .....	9



### GST/HST relief for Royal Canadian Legion purchases of Remembrance Day poppies and wreaths

On June 26, 2011, Bill C-3, *An Act to Implement Certain Provisions of the 2011 Budget as Updated on June 6, 2011*, received Royal Assent.

Bill C-3 implements certain provisions of the Federal Budget of June 6, 2011 and certain previously announced measures, including amendments to the *Excise Tax Act* to provide a 100% rebate of GST/HST on Remembrance Day poppies and wreaths acquired by the Royal Canadian Legion from private sector suppliers.

The Royal Canadian Legion has been exempt from charging and collecting GST on the Remembrance Day poppies and wreaths they provide since 1991, however, this rebate will allow the Legion to recover any GST/HST paid or payable by the Legion on their purchases of poppies and wreaths from private sector suppliers. The rebate is available for the GST/HST paid or payable by the Legion on poppies or wreaths, on or after January 1, 2010.

### PSB rebate for federal and provincial part of the HST must be calculated and claimed separately

Generally, a PSB can claim a rebate of the GST and federal part of the HST paid or payable on eligible purchases and expenses for which it cannot claim an input tax credit or other rebate, refund or remission of tax. Certain PSBs resident in a **participating** province may also be eligible to claim a PSB rebate of the provincial part of HST. For more information on residency in a participating province, please see GST/HST Info Sheet GI-121, *Determining Whether a Public Service Body is Resident in a Province for Purposes of the Public Service Bodies' Rebate*.

**Online services for business accounts:** To view account balance and transactions; view endorsements; transfer payments within a program account and between program accounts of the same nine-digit business number and immediately view updated balances; request additional remittance vouchers; file and adjust a GST/HST return without a Web access code, and view its status; calculate instalment payments; view notices, letters and statements; and view address and banking information; go to: [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative or employee; or [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), if you are the business owner.

**GST/HST NETFILE:** Faster processing and refunds, immediate confirmation of receipt, and no postal costs. Go to [www.cra.gc.ca/gsthst-netfile](http://www.cra.gc.ca/gsthst-netfile) or through [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative or employee; or [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), if you are the business owner.

La version française de la présente publication est intitulée *Nouvelles sur l'accise et la TPS/TVH*.





When calculating the PSB rebate for the GST and federal part of HST you are required to use the **exact** federal rebate factor that applies to your PSB. If you are resident in a particular participating province (and you are eligible to claim a PSB rebate of the provincial part of HST) you are required to use the **exact** provincial rebate factor that applies to a PSB of your type resident in that participating province. A chart of rebate factors is published on the CRA Web site under GST/HST rebates.

If you are eligible to claim a PSB rebate of the GST and/or federal part of HST, use application Form GST66, *Application for GST/HST Public Service Bodies' Rebate and GST Self-government Refund*, or the personalized rebate application Form GST284, *Application for GST/HST Public Service Bodies' Rebate and GST Self-government Refund*.

If you are also eligible to claim a rebate of the provincial part of HST, complete the provincial schedule Form RC7066 SCH, *Provincial Schedule – GST/HST Public Service Bodies' Rebate*, or the personalized Form GST284 SCH, *Provincial Schedule – GST/HST Public Service Bodies' Rebate*, and attach it to your rebate application.

When PSB claimants calculate the amount of the rebate to which they may be entitled, it is important to calculate and claim the federal rebate separately from the provincial rebate. For example, if you are a charity (that is not a selected PSB) and you are resident only in Ontario, you are eligible to claim a 50% PSB rebate of the federal part (5% GST) of the HST. In addition, you are eligible to claim an 82% PSB rebate of the provincial part (8%) of HST. In this situation, the total rebate claimed would effectively be 69.7% of the HST (13%) paid or self-assessed. However, this total rebate **must** be calculated and claimed as two **separate** components, **not as a single "blended rate"**. As well, separate calculations are required for claimants who are claiming a rebate of the provincial part of the HST paid in more than one participating province.

PSB rebate applications using such a blended rate to calculate the claim may result in compliance errors and payment delays.

For more information, eligibility criteria and examples of how to calculate PSB rebates, please see Guide RC4034, *GST/HST Public Service Bodies' Rebate*. As well, the Winter 2011 (No. 79) edition of the *Excise and GST/HST News* discusses the PSB rebate in general, while the Spring 2011 (No. 80) edition discusses PSB rebates for PSBs resident in more than one province, at least one of which is a participating province.

### **Insurance claims – net-of-GST/HST method**

Generally, an insurer is required to make payment in respect of an insurance claim only to the extent of the actual loss suffered by the insured in accordance with the terms of the insurance policy. The amount paid by the insurer to indemnify the insured will generally not include an amount for which the insured is entitled to claim an input tax credit (ITC) and/or rebate in respect of the GST/HST portion of the repair or replacement expense, i.e., the settlement will be net-of-GST/HST.

#### ***Insured is eligible for ITCs***

In order for the insured to be entitled to claim an ITC in respect of the GST/HST portion of the repair or replacement expense incurred as a result of lost, destroyed or damaged property, certain legislative and documentary requirements outlined in section 169 of the *Excise Tax Act* must be met, including the requirement that the insured must be a GST/HST registrant and that **the GST/HST on the expense is payable by the insured** (i.e., the “recipient” of a taxable supply for the repair or replacement of the property).

A “recipient” is defined, in part, as the person who is liable to pay the consideration in respect of a supply. Therefore, **invoices must clearly establish the recipient of the supply**. Generally, for the insured to be considered the recipient of the supply related to repairing or replacing the property, the invoice must name the



insured as the purchaser and the insured must be the person legally liable to the supplier for payment of the consideration for the supply.

### Example

Corporation A is a registrant located in Ontario. During a recent fire, its passenger vehicle used as capital property exclusively in its commercial activities was irreparably damaged. Corporation A arranges to buy a replacement vehicle from Best Auto Deals Inc. Under the automobile insurance policy covering Corporation A there is a deductible of \$1,000. The invoice made out by Best Auto Deals Inc. shows the following information:

Name of supplier	Best Auto Deals Inc.
Business number	999999999
Invoice number	001
Date	(current date)
Purchaser	Corporation A
Price of passenger vehicle	\$21,000
13% HST	<u>2,730</u>
<b>Total purchase price</b>	<b>\$23,730</b>

This invoice is sent to Corporation A and a copy of it is sent to the insurer by Best Auto Deals Inc. The insurer sends a cheque to Best Auto Deals Inc. for \$20,000 based on the following calculation:

Total of invoice	\$23,730
Less HST (13% of \$21,000)	- 2,730
Less deductible	<u>- 1,000</u>
<b>Total compensation from insurer to insured</b>	<b>\$20,000</b>

Corporation A gives Best Auto Deals Inc. a cheque for \$3,730 (\$2,730 + \$1,000) and notes in its records for the current reporting period that the \$2,730 in tax payable can be claimed as an ITC.

### ***Insured is eligible for rebate***

In the case where the insured is eligible to claim a rebate in respect of the GST/HST portion of the repair or replacement expense incurred as a result of lost, destroyed or damaged property, certain legislative and documentary requirements must be met. As previously indicated, the amount paid by an insurer to indemnify the insured will generally not include an amount for which the insured is entitled to claim a rebate in respect of the GST/HST portion of the repair or replacement expense, i.e., the settlement will be net of GST/HST.

### ***Insured not eligible for ITCs***

On the other hand, where an insured person such as a final consumer or other person is not eligible to claim an ITC or rebate (whether a GST/HST registrant or not), the amount paid by the insurer to indemnify the insured will generally include an amount in respect of the GST/HST that is charged related to the repair or replacement expense.

### Example

If Corporation A were not a registrant, the invoice sent to it and the copy of the invoice sent to the insurer by Best Auto Deals Inc. would not change, but the total amount paid by the insurance company would generally change. Corporation A, as a non-registrant, cannot claim an ITC in respect of the tax payable on the cost of replacing its vehicle. The insurer sends a cheque to Best Auto Deals Inc. for \$22,730 based on the following calculation:

Total of invoice	\$23,730
Less deductible	<u>- 1,000</u>
<b>Total compensation from insurer to insured</b>	<b>\$22,730</b>

Corporation A gives Best Auto Deals Inc. a cheque for \$1,000.

More information regarding the treatment of insurance claims can be found in GST/HST Memorandum 17.16, *GST/HST Treatment of Insurance Claims*.

## **Prescription drugs and medical devices supplied by pharmacies**

### ***Prescription drugs***

Under the *Excise Tax Act*, supplies made by pharmacies of a drug for human use are zero-rated (taxable at the rate of 0%) when the drug is dispensed by a pharmacist on the prescription of a medical practitioner or an authorized individual for the personal consumption or use of the individual named in the prescription.

In addition, a supply of a drug for human use is zero-rated when the drug is dispensed by a medical practitioner to an individual for the personal consumption or use of the individual or a related individual.

The following definitions in the *Excise Tax Act* apply for the purpose of these zero-rating provisions:

- An “authorized individual” means an individual, other than a medical practitioner, who is authorized under the laws of a province to make an order directing that a stated amount of a drug or mixture of drugs specified in the order be dispensed for the individual named in the order.
- A “medical practitioner” means a person who is entitled under the laws of a province to practise the profession of medicine or dentistry.
- A “prescription” means a written or verbal order, given to a pharmacist by a medical practitioner or authorized individual, directing that a stated amount of any drug or mixture of drugs specified in the order be dispensed for the individual named in the order.
- A “pharmacist” means a person who is entitled under the laws of a province to practise the profession of pharmacy.

For example, an individual presents a prescription from a nurse practitioner to a pharmacist at a pharmacy in a province. If the nurse practitioner is authorized under the laws of the province to prescribe the drug for the individual named in the prescription, and if the drug is for the personal consumption or use of that individual and the pharmacist dispenses the drug for the individual, the pharmacy may sell the drug on a zero-rated basis.

### ***Medical devices***

Certain medical devices are zero-rated. Some of these medical devices can only be supplied on a zero-rated basis where certain conditions are met. Some devices sold by pharmacists or medical supply stores will be zero-rated supplied on the written order of a medical practitioner (for these purposes a medical practitioner must be a physician) for use by the individual named in the order. Such devices include:

- aerosol chambers and metered dose inhalers for use in the treatment of asthma;
- heart-monitoring devices for use by consumers with heart disease;
- devices that convert sound to light signals;
- catheters for subcutaneous injections;
- chairs specially designed for use by individuals with a disability;
- extremity pumps, intermittent pressure pumps or similar devices for use in the treatment of lymphedema;
- orthotic or orthopaedic devices; and
- footwear that is specially designed for use by an individual who has a crippled or deformed foot or similar disability.

Only a written order by a physician will meet the conditions for these devices to be zero-rated. Note that a written order from any other health professional, including an individual who is authorized under the laws of a province to prescribe medical devices, would not permit these medical devices to be zero-rated.

Certain other medical devices are unconditionally zero-rated. The supply of these medical devices is zero-rated without the requirement of a written order from a physician. Examples of medical devices that a pharmacy or medical supply store can supply on a zero-rated basis without the written order of a physician are:

- toilet seats specially designed for use by an individual with a disability;
- insulin infusion pumps and blood-glucose monitors;
- mechanical percussors for postural drainage treatment and chest wall oscillation systems for airway clearance therapy;
- hearing aids;
- laryngeal speaking aids;
- wheelchairs and walkers specially designed to be operated by an individual with a disability for the locomotion of the individual; and
- canes and crutches specially designed for use by an individual with a disability.

### ***Supplies of drugs, medical devices and health care products that are not zero-rated***

Please note that zero-rating does not apply to all drugs, medical devices and health care products sold in pharmacies or medical supply stores. Examples of drugs, medical devices and health care products that are subject to the GST at the rate of 5%, or the HST at the rate of 12%, 13% or 15% (depending on the province where the supply is made) are:

- over-the-counter medications such as sinus and nasal preparations, acetylsalicylic acid, and acetaminophen;
- eye drops;
- many vitamins and minerals;
- cold remedies and cough medicine such as syrup and cough drops;
- medicated shampoos; and
- personal health products such as bandages and ankle and knee supports.

These goods are available to the general public without a prescription through retail outlets and are intended to treat the symptoms of minor illnesses that do not require the advice or intervention of a health professional. Regardless of whether they are prescribed by a medical practitioner or by an authorized individual, these goods are generally not zero-rated. For example, an over-the-counter acetylsalicylic acid product purchased at a drugstore would not qualify for zero-rating, even if the purchaser has a prescription for acetylsalicylic acid and shows it to the pharmacist, unless the product is also dispensed by the pharmacist.

### **How to access online services for business accounts**

Going online makes good business sense. To access CRA business accounts online and perform certain transactions, you can register with:

- Represent a Client if you are an authorized representative or employee; or
- My Business Account if you are the business owner.



### ***Register as an employee or representative***

If you are an employee or a representative and have not registered for “Represent a Client,” you can go to our Represent a Client page, and follow the steps below:

- Select “Register” and validate your identity with the CRA by providing your access code from your personal notice of assessment and postal code or ZIP code.
- Create a CRA user ID, password and security questions and answers.
- Register yourself and receive a representative identifier (RepID), create a group identifier (GroupID) or register your business (using your BN).
- Obtain authorization by giving your RepID, GroupID or BN to the business or your employer so they can authorize you to access their business account information online.

#### **Note**

The business owner can authorize you for online access either through My Business Account or by filing Form RC59, *Business Consent Form*.

### ***Register as a business owner***

Business owners will first need to enter information from either their current or previous year’s personal income tax and benefit return, as well as their business number. A CRA security code with instructions on completing the registration process will be mailed to their personal mailing address currently on file with the CRA within five business days. The separate mailing of the security code is a measure used to protect the owner from identity theft and to ensure the security of business information. Once registered for My Business Account, the business owner will no longer require an access code to file their GST/HST returns.

### **Need an Access Code? Try GST/HST Access Code Online**

If you have misplaced your access code or did not receive one in the mail, you can get a new one using GST/HST Access Code Online.

GST/HST Access Code Online will immediately create a new access code to replace the one that was lost or that you did not receive in the mail. The original access code will no longer be valid.

You will need to enter the Business Number and reporting period of the return you need an access code for, along with one of the following:

- the reporting period and line 109 (net tax) from a previously filed return where the line 109 amount is not equal to \$0.00; or,
- the reporting period and confirmation number from a return filed using GST/HST NETFILE, TELEFILE, or Internet File Transfer.

GST/HST Access Code Online can be accessed from the GST/HST NETFILE Web page at [www.cra.gc.ca/gsthst-netfile](http://www.cra.gc.ca/gsthst-netfile)

## Prescribed rates of interest

The prescribed annual rate of interest in effect from July 1, 2011, to September 30, 2011, on overdue amounts payable to the Minister is 5%. The prescribed annual rate of interest on amounts owed by the Minister (i.e., rebates or refunds) is 1% for corporate taxpayers and 3% for non-corporate taxpayers. These rates are applicable to income tax, excise tax, the softwood lumber products export charge, GST/HST and the air travellers security charge (ATSC) and excise duty on wine, spirits and tobacco.

The prescribed annual rate of interest respecting excise duty on beer, on overdue amounts payable for the indicated period, is set at 3%. Refund interest rates are not applicable for amounts owed by the Minister (i.e., rebates or refunds) for excise duty that is in relation to beer.

Period	Income Tax, Excise Tax, Softwood Lumber Products Export Charge, GST/HST and ATSC, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)
	Refund Interest	Arrears and Instalment Interest	Arrears Interest
<b>2011</b>			
July 1 – September 30	1% corporate taxpayers	5%	3%
	3% non-corporate taxpayers		
April 1 – June 30	1% corporate taxpayers	5%	3%
	3% non-corporate taxpayers		
January 1 – March 31	1% corporate taxpayers	5%	3%
	3% non-corporate taxpayers		
<b>2010</b>			
October 1 – December 31	1% corporate taxpayers	5%	3%
	3% non-corporate taxpayers		

Prescribed interest rates for previous years are available on the CRA Web site at [www.cra.gc.ca/interestrates](http://www.cra.gc.ca/interestrates).

## What's new in publications

The following is a list of new or revised excise and GST/HST forms and publications.

### GST/HST forms

E412	<i>Notice of Revocation of Waiver</i>
GST59	<i>GST/HST Return for Imported Taxable Supplies and Qualifying Consideration</i>
GST62	<i>Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return (Non-personalized)</i>
GST66	<i>Application for GST/HST Public Service Bodies' Rebate and GST Self-government Refund</i>
GST74	<i>Election and Revocation of an Election to use the Quick Method of Accounting</i>
GST111	<i>Financial Institution GST/HST Annual Information Return</i>
GST190	<i>GST/HST New Housing Rebate Application for Houses Purchased from a Builder</i>
GST287	<i>Election or Revocation of the Election by Public Service Bodies to Use the Special Quick Method of Accounting</i>
GST303	<i>Application to Offset Taxes by Refunds or Rebates</i>
RC79	<i>Deposit Advice</i>
RC199	<i>Voluntary Disclosures Program (VDP) - Taxpayer Agreement</i>
RC7066-SCH	<i>Provincial Schedule - GST/HST Public Service Bodies' Rebate</i>

## ***GST/HST guides***

RC4027	<i>Doing Business in Canada - GST/HST Information for Non-Residents</i>
RC4028	<i>GST/HST New Housing Rebate</i>
RC4419	<i>Financial Institution GST/HST Annual Information Return</i>

## ***GST/HST info sheets***

GI-066	<i>How a Charity Calculates the Net Tax to be Reported on its GST/HST Return (revised)</i>
GI-067	<i>Basic GST/HST Guidelines for Charities (revised)</i>
GI-068	<i>Basic GST/HST Guidelines for Public Institutions (revised)</i>
GI-106	<i>Ontario First Nations Point-of-Sale Relief - Reporting Requirements for GST/HST Registrant Suppliers (revised)</i>
GI-118	<i>Builders and GST/HST NETFILE</i>
GI-119	<i>Harmonized Sales Tax – New Place of Supply Rule for Sales of Specified Motor Vehicles</i>
GI-120	<i>Assignment of a Purchase and Sale Agreement for a New House or Condominium Unit</i>
GI-121	<i>Determining Whether a Public Service Body is Resident in a Province for Purposes of the Public Service Bodies' Rebate</i>

## ***GST/HST memoranda***

17-14	<i>Election for Exempt Supplies</i>
-------	-------------------------------------

## ***GST/HST technical information bulletins***

B-102	<i>First Nations Goods and Services Tax - Place of Supply (revised)</i>
-------	---

## ***Excise duty notices***

EDN30	<i>Tobacco Marking Requirements under the Amended Stamping and Marking of Tobacco Products Regulations</i>
-------	--

## ***Softwood lumber products export charge notices***

SWLN39	<i>Termination of the 10% Additional Export Charge and Refund of Overpayments</i>
SWLN40	<i>Surge Charge – Alberta Region (June 2011)</i>

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at [www.cra.gc.ca/gsthsttech](http://www.cra.gc.ca/gsthsttech), at [www.cra.gc.ca/etsl](http://www.cra.gc.ca/etsl), and at [www.cra.gc.ca/exciseduty](http://www.cra.gc.ca/exciseduty).



## Enquiries

**For online access to business accounts, such as view up-to-date account balances and transactions, transfer payments, and more** for your GST/HST, softwood lumber products export charge, air travellers security charge as well as excise taxes and duty accounts, go to:

- [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative or employee; or
- [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), if you are the business owner.

**For technical help while using our online services** for:

- business accounts, call 1-877-322-7849
- teletypewriter users, call 1-888-768-0951
- calls outside of Canada and the United States, call collect 709-772-8371

Please have the screen number (bottom right); and if applicable, the error number and message received on hand when calling.

**For general information and to make enquiries regarding your account** (except for softwood lumber products export charge accounts), call Business Enquiries at 1-800-959-5525.

**For enquiries regarding your softwood lumber products export charge account**, call 1-800-935-0313.

**To make enquiries regarding the status of specific GST/HST domestic rebate claims**, call 1-800-565-9353.

**For GST/HST technical enquiries** call GST/HST Rulings at 1-800-959-8287.

### Forms and publications

To access forms and publications online go to [www.cra.gc.ca/orderforms](http://www.cra.gc.ca/orderforms).

To order forms and publications by telephone call 1-800-959-2221.

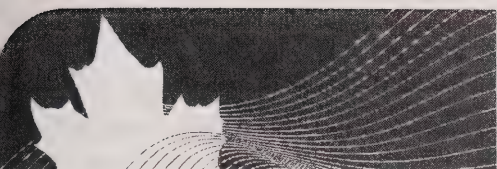
### Are you a GST/HST registrant located in Quebec?

To make an enquiry or obtain information on the GST/HST, contact Revenu Québec at 1-800-567-4692 or visit their Web site at [www.revenuquebec.ca](http://www.revenuquebec.ca).

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), First Nations goods and services tax (FNGST) and First Nations tax (FNT), softwood lumber products export charge, air travellers security charge (ATSC) as well as excise taxes and duties. If you would like to receive a link to each new edition of the *Excise and GST/HST News* as it is published, subscribe to the electronic mailing list.

This publication is provided for information purposes only and does not replace the law, either enacted or proposed. Please note that any commentary in this newsletter regarding proposed measures should not be taken as a statement by the CRA that such measures will in fact be enacted into the law in their current form. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, ON K1A 0L5.





## Table of Contents

Financial institution GST/HST annual information return – Form GST111 .....	1
Collection of GST/HST amounts under objection or appeal .....	2
What's new for GST/HST return and PSB rebate filers? .....	2
Online services built for businesses .....	3
Prescribed rates of interest .....	3
Deleted publications from Web site .....	4
What's new in publications .....	4
Enquiries .....	6

## Financial institution GST/HST annual information return – Form GST111

Form GST111, *Financial Institution GST/HST Annual Information Return*, enhances GST/HST reporting and assists in improving compliance in the financial services sector. Form GST111 provides the CRA with supplementary information concerning certain registrants within the financial services sector and assists the federal government in meeting its commitments to the provinces under the HST system.

A “reporting institution” has to complete Form GST111 for each fiscal year and file the return within six months after the end of its fiscal year. A person (other than a prescribed person or a person of a prescribed class<sup>1</sup>) is a reporting institution if:

- the person is a financial institution, under the *Excise Tax Act* (the Act), at any time in the fiscal year;
- the person is a registrant at any time in the fiscal year; and
- the total of all amounts each of which is an amount included in computing, for the purposes of the *Income Tax Act*, the person's income, or, if the person is an individual, the person's income from a business, for the person's last taxation year that ends in the fiscal year, exceeds the amount determined by the following formula:

$$\$1 \text{ million} \times A/365 \quad (A = \text{number of days in the taxation year})$$

A financial institution that is a reporting institution should be aware of the consequences associated with the failure to properly report information on Form GST111. Every reporting institution that fails to report or that

It is important to note that it is proposed that a selected listed financial institution that is a segregated fund of an insurer, or a investment plan (other than a trust governed by a registered retirement savings plan, a registered retirement income fund or a registered education savings plan) would not be required to file Form GST111 for any fiscal year that ends on or after July 1, 2010.

**Online services for business accounts:** To view account information and do transactions go to [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative or employee; or [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), if you are the business owner. See the article in this issue of the *Excise and GST/HST News* for more information.

**GST/HST NETFILE:** Faster processing and refunds, immediate confirmation of receipt, and no postal costs. Go to [www.cra.gc.ca/gsthst-netfile](http://www.cra.gc.ca/gsthst-netfile) or through [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative or employee; or [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), if you are the business owner.

La version française de la présente publication est intitulée *Nouvelles sur l'accise et la TPS/TVH*.





misstates certain amounts on Form GST111 could be liable for penalties with respect to such amounts. Penalties can also be levied if a reporting institution fails to provide reasonable estimates of certain amounts for which estimates can be provided. These penalties apply to amounts required to be reported on certain lines of Form GST111 and are in addition to any other penalty that may also apply under other provisions of the Act.

Penalties for non-compliance will accumulate and can be as much as \$1,000 for each failure, unless due diligence was exercised in attempting to report the amount on Form GST111. For more information on completing this form and on the application of penalties, please consult Guide RC4419, *Financial Institution GST/HST Annual Information Return*.

### **Collection of GST/HST amounts under objection or appeal**

The CRA may not generally take any collection action in respect of an amount payable or remittable unless the amount has been assessed. If a person files a notice of objection or appeal against an assessment of GST/HST, the CRA is required to accept security, in an amount and form satisfactory to the CRA, for payment of the disputed amount.

If a person does not provide security in lieu of payment, the CRA will continue collection action in respect of the outstanding amounts, which includes any interest or penalty computed on the assessment from the time the amount is required to be paid or remitted. There are no collection restriction provisions in the Act; therefore, any amounts that are not covered by the security are subject to collection action.

However, in certain cases the CRA may postpone collection action against a person in respect of all or any part of any amount assessed that is the subject of a dispute between the CRA and the person, and without accepting security. For example, the CRA may consider postponing collection action where the taxpayer provides relevant information after an assessment is raised, that may result in the overturning of the assessment, and Appeals is confident that the assessment will be vacated.

For more information on objections and appeals, see GST/HST Memorandum 31-0, *Objections and Appeals*.

For more information on collection and enforcement activities, see GST/HST Memorandum G500-3-3, *Collection and Enforcement Activities*.

### **What's new for GST/HST return and PSB rebate filers?**

We have added new and enhanced online services. To use these online services, you need to first register at [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount) to create a CRA user ID and password. Your authorized representative or employee can also access these online services through Represent a Client at [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives).

The new and enhanced services include:

#### **View a return**

We have renamed the "View return status" service to "View a return". In addition to viewing the return status, you can also now view the detailed line-by-line information for returns that are assessed or reassessed.

#### **File a PSB rebate**

Non-registered public service body (PSB) filers can now file their PSB rebate electronically, by using the "File a PSB rebate" service. Registered PSB filers can use this service to file their PSB rebate separately from their return, or continue to file both their return and PSB rebate together using GST/HST NETFILE.

## Adjust a PSB rebate

The “Adjust a PSB rebate” service provides an easy way to revise rebates that you have filed previously (some restrictions apply).

## Online services built for businesses

Going online makes good business sense. Take control of your business’s tax accounts, and instantly access and make changes to tax information online. With CRA’s online secure portals, you can:

- authorize a representative for **online access** to your business accounts
- file and adjust a GST/HST return without a Web access code; and, view a processed return line-by-line along with the processing status (enhanced service)
- file and adjust a Public Service Bodies’ (PSB) rebate (new services)
- view notices and statements
- view up-to-date account balances and transactions
- view endorsements
- transfer payments within a program account and between program accounts of the same nine-digit business number and immediately view updated balances
- make online requests (for example, request additional remittance vouchers)
- calculate instalment payments
- view representative’s transactions (new service)
- view address and banking information
- view messages in the Message Centre about new electronic services or other information (new service)

To access our online secure portals, for:

- business owners, go to [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount)
- representatives (including employees), go to [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives)

## Prescribed rates of interest

The prescribed annual rate of interest in effect from October 1, 2011, to December 31, 2011, on overdue amounts payable to the Minister is 5%. The prescribed annual rate of interest on amounts owed by the Minister (i.e., rebates or refunds) is 1% for corporate taxpayers and 3% for non-corporate taxpayers. These rates are applicable to income tax, excise tax, the softwood lumber products export charge, GST/HST and the air travellers security charge (ATSC) and excise duty on wine, spirits and tobacco.

The prescribed annual rate of interest respecting excise duty on beer, on overdue amounts payable for the indicated period, is set at 3%. Refund interest rates are not applicable for amounts owed by the Minister (i.e., rebates or refunds) for excise duty that is in relation to beer.

Period	Income Tax, Excise Tax, Softwood Lumber Products Export Charge, GST/HST and ATSC, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)
	Refund Interest	Arrears and Instalment Interest	Arrears Interest
<b>2011</b>			
October 1 – December 31	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%
July 1 – September 30	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%
April 1 – June 30	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%
January 1 – March 31	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%

Prescribed interest rates for previous years are available on the CRA Web site at [www.cra.gc.ca/interestrates](http://www.cra.gc.ca/interestrates).

### Deleted publications from Web site

Many of the older GST/HST Technical publications which have become obsolete have been removed from the CRA web site.

### What's new in publications

The following is a list of new or revised excise and GST/HST forms and publications.

#### ***GST/HST forms***

E410	<i>Waiver</i>
GST159	<i>Notice of Objection (GST/HST)</i>
RC59	<i>Business Consent Form</i>
RC325	<i>Address change request</i>
RC4530	<i>Election or Revocation of an Election to use a Production Proxy to Report the Recapture of Input Tax Credits</i>
RC4607	<i>GST/HST Pension Entity Rebate Application and Election</i>

#### ***GST/HST guides***

RC4036	<i>GST/HST Information for the Travel and Convention Industry (revised)</i>
--------	---

#### ***GST/HST notices***

NOTICE259	<i>Information Requirements Related to Investments in Selected Listed Financial Institution Distributed Investment Plans (other than Exchange-Traded Funds or Exchange-Traded Series)</i>
NOTICE260	<i>Modified Procedures for Filing Form RC4604, GST/HST Reporting Entity, Consolidated Filing and Tax Adjustment Transfer Elections and Revocations for a Selected Listed Financial Institution</i>
NOTICE261	<i>Information Required for Tax Adjustment Notes Issued by an Employer to a Pension Entity and the Consequential Notices Issued by the Pension Entity</i>
NOTICE262	<i>Notice of Change, GST/HST Memorandum 28-3, Passenger Transportation Services</i>
NOTICE263	<i>Maa-nulth First Nations</i>
NOTICE264	<i>Sales Made to Indians and Documentary Evidence - Temporary Confirmation of Registration Document</i>
NOTICE265	<i>GST/HST Registration for Listed Financial Institutions (Including Selected Listed Financial Institutions)</i>



- NOTICE266 *For discussion purposes only – Draft GST/HST Technical Information Bulletin, Harmonized Sales Tax – Self-assessment of the provincial part of the HST in respect of property and services brought into a participating province*
- NOTICE267 *Buffalo Point First Nation Implements the First Nations Goods and Services Tax*

### **GST/HST info sheets**

- GI-121 *Determining Whether a Public Service Body is Resident in a Province for Purposes of the Public Service Bodies' Rebate*
- GI-122 *The GST/HST Implications of the Acquisition of Solar Panels Under the micro Feed-in Tariff Program in Ontario*
- GI-123 *Application of GST/HST to Residential Care Services Provided in Ontario*

### **GST/HST technical information bulletins**

- B-032 *Registered Pension Plans (revised)*
- B-097 *Determining Whether a Financial Institution is a Qualifying Institution for Purposes of Section 141.02 (revised)*
- B-098 *Application of Section 141.02 to Financial Institutions That Are Qualifying Institutions (revised)*
- B-099 *Application of Section 141.02 to Financial Institutions That Are Not Qualifying Institutions (revised)*
- B-106 *Input Tax Credit Allocation Methods for Financial Institutions for Purposes of Section 141.02 of the Excise Tax Act*
- B-107 *Investment Plans (Including Segregated Funds of an Insurer) and the HST*

### **Softwood lumber products export charge notices**

- WLN41 *Surge Charge – Alberta Region (September 2011)*

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at [www.cra.gc.ca/gsthstech](http://www.cra.gc.ca/gsthstech), at [www.cra.gc.ca/etsl](http://www.cra.gc.ca/etsl), and at [www.cra.gc.ca/exciseduty](http://www.cra.gc.ca/exciseduty).

## Enquiries

For online access to business accounts, such as view up-to-date account balances and transactions, transfer payments, and more for your GST/HST, softwood lumber products export charge, air travellers security charge as well as excise taxes and duty accounts, go to:

- [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative or employee; or
- [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), if you are the business owner.

For technical help while using our online services for:

- business accounts, call 1-877-322-7849
- teletypewriter users, call 1-888-768-0951
- calls outside of Canada and the United States, call collect 709-772-8371

Please have the screen number (bottom right); and if applicable, the error number and message received on hand when calling.

For general information and to make enquiries regarding your account (except for softwood lumber products export charge accounts), call Business Enquiries at 1-800-959-5525.

For enquiries regarding your softwood lumber products export charge account, call 1-800-935-0313.

To make enquiries regarding the status of specific GST/HST domestic rebate claims, call 1-800-565-9353.

For GST/HST technical enquiries call GST/HST Rulings at 1-800-959-8287.

### Forms and publications

To access forms and publications online go to [www.cra.gc.ca/orderforms](http://www.cra.gc.ca/orderforms).

To order forms and publications by telephone call 1-800-959-2221.

### Are you a GST/HST registrant located in Quebec?

To make an enquiry or obtain information on the GST/HST, contact Revenu Québec at 1-800-567-4692 or visit their Web site at [www.revenuquebec.ca](http://www.revenuquebec.ca).

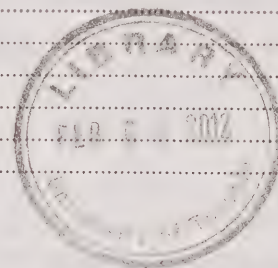
The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), First Nations goods and services tax (FNGST) and First Nations tax (FNT), softwood lumber products export charge, air travellers security charge (ATSC) as well as excise taxes and duties. If you would like to receive a link to each new edition of the *Excise and GST/HST News* as it is published, subscribe to the electronic mailing list.

This publication is provided for information purposes only and does not replace the law, either enacted or proposed. Please note that any commentary in this newsletter regarding proposed measures should not be taken as a statement by the CRA that such measures will in fact be enacted into the law in their current form. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, ON K1A 0L5.



## Table of Contents

Notice to excise tax licensees in the Canadian fuel industry sector .....	1
Legislative proposals for GST/HST .....	1
Acceptable documentary evidence when making sales relieved of tax to Indians .....	2
Buffalo Point and Songhees First Nations implement the First Nations Goods and Services Tax .....	3
Ontario First Nations point-of-sale relief – reporting requirements for GST/HST registrants .....	3
Tax relief for specially-equipped motor vehicles .....	3
Automated messages to new GST/HST registrants and new employers .....	5
Online services built for businesses .....	6
New online account enquiries service .....	6
Prescribed rates of interest .....	8
What's new in publications .....	8
Enquiries .....	10

**Notice to excise tax licensees in the Canadian fuel industry sector**

In December 2011, the Canada Revenue Agency (CRA) issued a notice the purpose of which was to ensure that excise tax licensees within the Canadian petroleum industry are fully aware of the provisions relating to fuel purchased on an excise tax exempt basis.

Section 48 of the *Excise Tax Act* allows licensed manufacturers to apply to the CRA to be considered as manufacturers of “similar goods” sold in conjunction with goods of their manufacture, thereby permitting the similar goods to be purchased tax exempt.

The notice is designed to ensure the consistent application of the provisions relating to fuel purchases for subsequent resale by licensees with the petroleum industry. Any tax-exempt purchases of fuel for resale that are being made contrary to the manufacturer licensing provisions or section 48 authorizations will no longer be permitted. The CRA is establishing a grace period until March 1, 2012, to permit all licensees to ensure that any fuel purchased or on hand is accounted for appropriately. For further information, see Excise Taxes and Special Levies Notice ETSL76, *Notice to Excise Tax Licensees in the Canadian Fuel Industry Sector*.

**Legislative proposals for GST/HST**

On October 31, 2011, the Department of Finance released for public comment, *News Release 2011-108*, a package of draft legislative proposals relating to a number of technical changes to the *Income Tax Act*, the *Income Tax Amendments Act, 2000*, the *Income Tax Regulations*, and the *Excise Tax Act*.

**Online services for business accounts:** To view account information and do transactions go to [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative or employee; or [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), if you are the business owner. See the article in this issue of the *Excise and GST/HST News* for more information.

**ST/HST NETFILE:** Faster processing and refunds, immediate confirmation of receipt, and no postal costs. Go to [www.cra.gc.ca/gsthst-netfile](http://www.cra.gc.ca/gsthst-netfile) through [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative or employee; or [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), if you are the business owner.

La version française de la présente publication est intitulée *Nouvelles sur l'accise et la TPS/TVH*.





One of the technical amendments proposes to add new section 177.1 to the *Excise Tax Act*, which if enacted, would provide that a collective society or a collecting body must, for the purpose of determining tax payable in respect of the supply of a service of collecting or distributing the levy on blank media under the *Copyright Act*, use a formula to calculate the value of the consideration for their supply of that service to an eligible author, eligible maker, or eligible performer or for their supply of that service to another collective society. Specifically, the formula would deem the value of the consideration to be equal to the value of the consideration for the supply, as otherwise determined for GST/HST purposes, minus part of the value of the consideration that is exclusively attributable to the collection and distribution of the levy on blank media.

In addition, the proposals include technical changes relating to the reporting of recaptured input tax credits.

### **Acceptable documentary evidence when making sales relieved of tax to Indians**

The conditions in the CRA administrative policy, Technical Information Bulletin B-039, *GST/HST Administrative Policy - Application of the GST/HST to Indians*, must be met in order for supplies of property and services made to Indians to be relieved of tax.

One of the conditions in B-039 is that an Indian must present proof of registration under the *Indian Act* to a vendor in order to acquire property or services on a reserve without paying the GST/HST. Generally, the CRA will accept as proof of registration under the *Indian Act* the Certificate of Indian Status card (status card) issued by Aboriginal Affairs and Northern Development Canada (AANDC) (formerly Indian and Northern Affairs Canada) to eligible Indians.

On January 31, 2011, the *Gender Equity in Indian Registration Act* (Bill C-3) came into force. This legislation allows eligible grandchildren of women who lost status as a result of marrying non-Indian men to apply for registration as Indians under the *Indian Act*. Also, on September 22, 2011, an Order-in-Council created the Qalipu Mi'kmaq First Nation band. With the creation of the Qalipu Mi'kmaq First Nation band, members are now eligible to apply for registration as Indians under the *Indian Act*.

AANDC will issue a Temporary Confirmation of Registration Document (TCRD) that will be valid for a period of 12 months from the date issued to newly registered Indians who qualify under the *Gender Equity in Indian Registration Act* and to Qalipu Mi'kmaq First Nation band members. The TCRD will contain the name of the individual, a registration number, the effective date of registration and the expiration date of the TCRD. On the bottom right-hand corner of the TCRD there will be a raised seal of the Indian Registrar to show its authenticity.

Vendors can accept the TCRD issued to Indians by AANDC as proof of registration when making sales to Indians on a tax-relieved basis. The Indian must show his/her original TCRD to the vendor. A photocopy of a TCRD presented by an Indian does not qualify as sufficient documentary evidence. See GST/HST NOTICE264, *Sales Made to Indians and Documentary Evidence - Temporary Confirmation of Registration Document* for complete details.

As well, vendors must maintain adequate evidence that a sale for which no GST/HST was payable was made to an Indian. The CRA will accept as adequate evidence a notation on the invoice or other sales document that is retained by the vendor of the registry number, or the band name and family number, found on the status card, the registration number and the expiration date of the TCRD.

## **Buffalo Point and Songhees First Nations implement the First Nations Goods and Services Tax**

The Buffalo Point First Nation implemented the First Nations Goods and Services Tax (FNGST) as of October 3, 2011. The FNGST applies to supplies made on the lands of the Buffalo Point First Nation that are listed in Schedule 1 to the *First Nations Goods and Services Tax Act* (each reserve of the Buffalo Point First Nation that is not shared with another band). The Buffalo Point First Nation had previously implemented a First Nation Tax (FNT) that applied in respect of sales on reserve of fuel, alcoholic beverages and tobacco products. The Buffalo Point FNT was discontinued when the FNGST came into force. The Buffalo Point First Nation is the first band in Manitoba to implement the FNGST. For further information see GST/HST NOTICE267, *Buffalo Point First Nation Implements the First Nations Goods and Services Tax*.

The Songhees First Nation implemented the FNGST as of December 29, 2011. The Songhees FNGST applies in respect of supplies that are made on the lands of the Songhees First Nation that are listed in Schedule 1 to the *First Nations Goods and Services Tax Act* (reserves of the Songhees First Nation). For further information see GST/HST NOTICE268, *Songhees First Nation Implements the First Nations Goods and Services Tax*.

A list of First Nations that have implemented an FNGST can be found on the CRA's Web site at [www.cra.gc.ca/fngstlist](http://www.cra.gc.ca/fngstlist).

## **Ontario First Nations point-of-sale relief – reporting requirements for GST/HST registrants**

Since September 1, 2010, GST/HST registrant suppliers in Ontario are allowed to credit eligible purchasers (Status Indians, Indian bands, and councils of an Indian band) at the time of sale with an amount equal to the 3% provincial part of the HST on qualifying off-reserve supplies of property or services. GST/HST registrant suppliers are required to report the amount of HST collectible in respect of the supplies at the full 13% rate on line 105 of their GST/HST return and the amounts credited to eligible purchasers on line 111 of their GST/HST return. GST/HST registrant suppliers report the amount credited on Form GST189, *General Application for Rebate of GST/HST*.

Note that the amount credited to eligible purchasers should not be taken as a deduction in the calculation of net tax. Also, GST/HST registrant suppliers are required to use one of the following methods to report the amount credited:

- complete and file Form GST189, *General Application for Rebate of GST/HST*, or
- complete and submit the rebate form using GST/HST NETFILE at [www.cra.gc.ca/gsthst-netfile](http://www.cra.gc.ca/gsthst-netfile) or My Business Account at [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

The filing requirements above should be strictly adhered to in order to prevent penalties and interest related to our crediting eligible purchasers with the Ontario First Nations point-of-sale relief.

For more information on GST/HST filing requirements, please see GST/HST Info Sheet GI-106, *Ontario First Nations Point-of-Sale Relief - Reporting Requirements for GST/HST Registrant Suppliers*.

## **Tax relief for specially-equipped motor vehicles**

### **Zero-rated goods and services**

A supply of an auxiliary driving control that is designed to be attached to a motor vehicle to facilitate the operation of the vehicle by an individual with a disability is zero-rated, meaning it is taxable at 0%. Suppliers are not required to collect or remit the GST/HST on these supplies. A service of installing, maintaining, restoring, repairing or modifying the auxiliary driving control is also relieved of the GST/HST along with any part, accessory, or attachment that is specially designed for the auxiliary driving control.



In addition, a service of modifying a motor vehicle to adapt it for the transportation of an individual using a wheelchair is zero-rated as is any property used in conjunction with this modification service (other than the vehicle itself).

### ***Rebate for the purchase of a qualifying motor vehicle in Canada***

A partial rebate is available for the GST/HST paid on the purchase of a qualifying motor vehicle. A “qualifying motor vehicle” means a motor vehicle that is equipped with a device designed exclusively to assist in placing a wheelchair in the vehicle without having to collapse the wheelchair or with an auxiliary driving control to facilitate the operation of the vehicle by an individual with a disability.

This rebate is available for the GST/HST on the portion of the purchase price of the qualifying motor vehicle that is attributable to special features incorporated into, or adaptations that have been made to the motor vehicle that:

- enable an individual who uses a wheelchair to use the vehicle;
- enable the transportation of an individual using a wheelchair; or
- equip it with an auxiliary driving control to facilitate the operation of the vehicle by an individual with a disability.

The rebate can be provided by the supplier or it can be claimed by the purchaser by sending a completed Form GST518, *GST/HST Specially Equipped Motor Vehicle Rebate Application* to the CRA. Please note that a rebate is not available unless the supplier certifies in writing the portion of the purchase price of the motor vehicle that can reasonably be attributed to the vehicle's special features or adaptations for purpose of its use by, or in transporting an individual using a wheelchair or to equip the vehicle with an auxiliary driving control.

### ***Rebate for the purchase of a qualifying motor vehicle from outside Canada or outside a participating province***

A partial rebate of the GST/HST is available where a person purchases a qualifying motor vehicle from outside Canada or from outside a participating province and then imports the vehicle into Canada or brings it into a participating province.

Where a qualifying motor vehicle purchased outside Canada is imported into Canada, a rebate is available for the portion of the GST/HST payable upon importation based on the portion of the purchase price of the vehicle that is attributable to the vehicle's special features that have been incorporated into, or adaptations that have been made to the vehicle. The supplier must certify in writing the portion of the purchase price of the motor vehicle that can reasonably be attributed to the vehicle's special features or adaptations for purpose of its use by or in transporting an individual using a wheelchair or to equip the vehicle with an auxiliary driving control. The rebate will also include the GST/HST payable on the amount of duties and any taxes in respect of the importation of the vehicle calculated on the portion of the purchase price of the vehicle attributable to the special features or adaptations.

Where the qualifying motor vehicle is brought into a participating province, a rebate will be available for the provincial portion of the HST payable upon bringing the vehicle into a participating province calculated on the portion of the purchase price of the vehicle attributable to the special features or adaptations to which the tax rate for the participating province applies.

Rebates for these modification services can be claimed on Form GST518, *GST/HST Specially Equipped Motor Vehicle Rebate Application*.



### **Relief from the GST/HST on leases of qualifying motor vehicles**

Tax relief is also provided on leases of qualifying motor vehicles. This relief does not take the form of a rebate. Instead, the GST/HST does not apply to the portion of each lease payment that is reasonably attributable to the special features incorporated into, or adaptations made to the vehicle to enable its use by an individual using a wheelchair, to enable the transportation of an individual using a wheelchair or to equip the vehicle with an auxiliary driving control for use by an individual with a disability. To qualify for this relief, the lessor must identify in writing, the portion of the lease payment that is attributable to the special features or adaptations.

### **Rebate for modification services performed outside Canada or outside a participating province**

There are also partial rebates of the GST/HST available where a person acquires a service performed outside Canada or outside a participating province of modifying a motor vehicle and then imports the vehicle into Canada or brings it into a participating province.

To qualify for these rebates, the modification service must be for the purpose of specially equipping or adapting the vehicle for use by an individual using a wheelchair, to enable the transportation of an individual using a wheelchair or to equip the vehicle with an auxiliary driving control for operation by an individual with a disability.

Where the modified vehicle is imported into Canada, the rebate is available for the portion of the GST/HST payable upon importation calculated on the portion of the value of the vehicle that is attributable to the modification service and any property supplied in conjunction with that service. The rebate will also include the GST/HST payable on the amount of duties and any taxes in respect of the importation of the vehicle calculated on the portion of the value of the vehicle attributable to the modification service and property supplied in conjunction with that service.

Where the modified vehicle is brought into a participating province, a rebate is available for the provincial portion of the HST payable upon bringing the vehicle into a participating province calculated on the portion of the value of the vehicle attributable to the modification service and any property supplied in conjunction with that service to which the tax rate for the participating province applies.

Rebates for these modification services can also be claimed on Form GST518, *GST/HST Specially Equipped Motor Vehicle Rebate Application*.

Please contact GST/HST Rulings at 1-800-959-8287 for additional information.

### **Automated messages to new GST/HST registrants and new employers**

In June 2010, the CRA launched a pilot project that involved sending automated phone messages to new taxpayers. The pre-recorded messages remind taxpayers of their first filing and remitting deadlines.

The entire automated message is 55 seconds in length with key information being delivered within the first 11 seconds. No personal information is given out in the filing and remitting due date reminders, and the CRA does not request any personal information from taxpayers.

Initial findings indicate that new employers, contacted by the CRA through the use of these messages are 16% more likely to comply with their initial filing requirements than those not contacted, while new GST/HST registrants are 22% more likely to comply with their initial filing requirements than those not contacted.

The pilot was originally scheduled to end in January 2011, but has been extended to allow for a more comprehensive analysis of the ongoing compliance behaviour of registrants and employers who have received the reminder messages. The additional time will allow the CRA to fully investigate the potential for using this technology as a way of assisting taxpayers in meeting their filing and remitting obligations.

### **Online services built for businesses**

Going online makes good business sense. Take control of your business's tax accounts, and instantly access and make changes to tax information online. With CRA's online secure portals, you can:

- authorize a representative for **online access** to your business accounts
- file and adjust a GST/HST return without a Web access code; and, view a processed return line-by-line along with the processing status (enhanced service)
- file and adjust a Public Service Bodies' (PSB) rebate (new services) for registrant and non-registrant PSB filers
- file Form GST189, *General application for Rebate of GST/HST* for Ontario First Nations point-of-sale relief through My Business Account when filing a GST/HST return
- view notices and statements
- view up-to-date account balances and transactions
- view endorsements
- transfer payments within a program account and between program accounts of the same nine-digit business number and immediately view updated balances
- make online requests (for example, request additional remittance vouchers)
- calculate instalment payments
- view representative's transactions (new service)
- view address and banking information
- view messages in the Message Centre about new electronic services or other information (new service)

To access our online secure portals, for:

- business owners, go to [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount)
- representatives (including employees), go to [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives)

### **New online account enquiries service**

Beginning April 16, 2012, your business and its representatives will be able to ask questions about your tax accounts online and the CRA will answer electronically, so you'll have your answer in writing. You will still use existing online options to request changes and initiate transactions, however, the new service complements these options by answering specific tax account-related questions for these business accounts:

- GST/HST
- corporation income tax
- excise duty
- excise tax

- excise tax on insurance premiums
- air travellers security charge
- softwood lumber products export charge

Please note that to get other types of information **not** included in this service, go to:

- [www.cra.gc.ca/business](http://www.cra.gc.ca/business) for general information
- [www.cra.gc.ca/payroll](http://www.cra.gc.ca/payroll) for payroll deductions information
- [www.cra.gc.ca/gsthstrulings](http://www.cra.gc.ca/gsthstrulings) for GST/HST rulings and interpretations

This new “Enquiries service” will have all current options of the “Make online requests” service as well as a new “Submit an enquiry” option.

To access the “Enquiries service” or “View correspondence” service:

- business owners, go to [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount)
- representatives (including employees), go to [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives)

### **Authorization**

Please note, only representatives with a level 2 authorization will have access to the “Enquiries service”.

To change the level of authorization, the business owner can use the “Authorize or manage representatives” service in My Business Account or send another completed GST/HST Form RC59, *Business Consent Form*.

### **Checking for a message**

We will strive to post our response in the “View correspondence” service within 10 business days. Depending on the nature of the enquiry, it may take us longer to respond.

Once we have posted the response online, if you ticked “yes” to be notified by email, we will send an email to the address that you submitted with your question. When you login, you will find a message in the “Message Centre” instructing you to view the response electronically using the “View correspondence” service.

### **Getting help**

If you need help accessing services or using any of our online services, go to [www.cra.gc.ca/contact](http://www.cra.gc.ca/contact) and under: “How you can contact us” select “Telephone numbers for enquiries”; then under “Enquiries” look for “e-services Helpdesk for businesses” and select the link on the right, “Phone numbers and hours of service”.

When you call, please be ready to give the screen number (bottom right of screen); and if applicable, the error code and message received.

### **Sending us feedback and suggestions**

We will continue improving our online services in an effort to meet your needs. Starting on April 16, 2012, you will be able to send us your feedback and suggestions through our new “Suggestions” service.



## Prescribed rates of interest

The prescribed annual rate of interest in effect from January 1, 2012, to March 31, 2012, on overdue amounts payable to the Minister is 5%. The prescribed annual rate of interest on amounts owed by the Minister (i.e., rebates or refunds) is 1% for corporate taxpayers and 3% for non-corporate taxpayers. These rates are applicable to income tax, excise tax, the softwood lumber products export charge, GST/HST and the air travellers security charge (ATSC) and excise duty on wine, spirits and tobacco.

The prescribed annual rate of interest respecting excise duty on beer, on overdue amounts payable for the indicated period, is set at 3%. Refund interest rates are not applicable for amounts owed by the Minister (i.e., rebates or refunds) for excise duty that is in relation to beer.

Period	Income Tax, Excise Tax, Softwood Lumber Products Export Charge, GST/HST and ATSC, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)
	Refund Interest	Arrears and Instalment Interest	Arrears Interest
<b>2012</b>			
January 1 – March 31	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%
<b>2011</b>			
October 1 – December 31	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%
July 1 – September 30	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%
April 1 – June 30	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%

Prescribed interest rates for previous years are available on the CRA Web site at [www.cra.gc.ca/interestrates](http://www.cra.gc.ca/interestrates).

## What's new in publications

The following is a list of new or revised excise and GST/HST forms and publications.

### **GST/HST forms**

GST111	<i>Financial Institution GST/HST Annual Information Return</i>
GST189	<i>General Application for Rebate of GST/HST</i>
GST489	<i>Return for Self-Assessment of the Provincial Part of Harmonized Sales Tax (HST)</i>
GST495	<i>Rebate Application for Provincial Part of Harmonized Sales Tax (HST)</i>
GST499-1	<i>First Nations Tax (FNT) Schedule</i>
RC1A	<i>Business Number (BN) - GST/HST Account Information</i>
RC1C	<i>Business Number (BN) - Import/Export Account Information</i>
RC4530	<i>Election or Revocation of an Election to use a Production Proxy to Report the Recapture of Input Tax Credits</i>
RC7000-BC	<i>British Columbia Provincial Sales Tax (PST) Transitional New Housing Rebate</i>
RC7000-ON	<i>Ontario Retail Sales Tax (RST) Transitional New Housing Rebate</i>
RC7003-BC	<i>British Columbia Provincial Sales Tax (PST) Transitional New Housing Rebate for Certain Non-Registrants</i>
RC7003-ON	<i>Ontario Retail Sales Tax (RST) Transitional New Housing Rebate for Certain Non-Registrants</i>

## **GST/HST notices**

NOTICE268 *Songhees First Nation Implements the First Nations Goods and Services Tax*

## **GST/HST guides**

RC2 *The Business Number and Your Canada Revenue Agency Program Accounts*  
RC4028 *GST/HST New Housing Rebate - Includes Forms GST190, GST191, GST191-WS, GST515 and RC7190-WS*  
RC4072 *First Nations Tax (FNT)*  
RC4091 *GST/HST Rebate for Partners - Includes Form GST370*

## **GST/HST info sheets**

GI-124 *Municipal Designation of Organizations Providing Rent Geared to Income Housing*

## **GST/HST technical information bulletins**

B-002 *Coupons and Bottle Deposits (note added)*

## **GST/HST memoranda**

8-6 *Input Tax Credits for Holding Corporations and Corporate Takeovers*  
9-1 *Taxable Benefits (Other than Automobile Benefits)*  
9-2 *Automobile Benefits*

## **Excise duty notices – Excise Act**

EDBN17 *K50B Filing and Payment Schedules for Brewers (2012-2013)*

## **Excise taxes and special levies notices**

ETSL64 *List of Vehicles and Associated Tax Rates for 2012 (related document)*  
ETSL76 *Notice to Excise Tax Licensees in the Canadian Fuel Industry Sector*

## **Softwood lumber products export charge notices**

SWLN42 *Surge Charge – Alberta Region (November 2011)*

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at [www.cra.gc.ca/gsthsttech](http://www.cra.gc.ca/gsthsttech), at [www.cra.gc.ca/etsl](http://www.cra.gc.ca/etsl), and at [www.cra.gc.ca/exciseduty](http://www.cra.gc.ca/exciseduty).

## Enquiries

**For online access to business accounts, such as view up-to-date account balances and transactions, transfer payments, and more** for your GST/HST, softwood lumber products export charge, air travellers security charge as well as excise taxes and duty accounts, go to:

- [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative or employee; or
- [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), if you are the business owner.

**For technical help while using our online services for:**

- business accounts, call 1-877-322-7849
- teletypewriter users, call 1-888-768-0951
- calls outside of Canada and the United States, call collect 709-772-8371

Please have the screen number (bottom right); and if applicable, the error number and message received on hand when calling

**For general information and to make enquiries regarding your account** (except for softwood lumber products export charge accounts), call Business Enquiries at 1-800-959-5525.

**For enquiries regarding your softwood lumber products export charge account**, call 1-800-935-0313.

**To make enquiries regarding the status of specific GST/HST domestic rebate claims**, call 1-800-565-9353.

**For GST/HST technical enquiries** call GST/HST Rulings at 1-800-959-8287.

### Forms and publications

To access forms and publications online go to [www.cra.gc.ca/orderforms](http://www.cra.gc.ca/orderforms).

To order forms and publications by telephone call 1-800-959-2221.

### Are you a GST/HST registrant located in Quebec?

To make an enquiry or obtain information on the GST/HST, contact Revenu Québec at 1-800-567-4692 or visit their Web site at [www.revenuquebec.ca](http://www.revenuquebec.ca).

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), First Nations goods and services tax (FNGST) and First Nations tax (FNT), softwood lumber products export charge, air travellers security charge (ATSC) as well as excise taxes and duties. If you would like to receive a link to each new edition of the *Excise and GST/HST News* as it is published, subscribe to the electronic mailing list.

This publication is provided for information purposes only and does not replace the law, either enacted or proposed. Please note that any commentary in this newsletter regarding proposed measures should not be taken as a statement by the CRA that such measures will in fact be enacted into the law in their current form. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, ON K1A 0L5.



## Table of Contents

Federal Budget 2012.....	1
Proposed transitional rules – elimination of the harmonized sales tax in British Columbia.....	4
Prince Edward Island harmonized sales tax.....	4
Rebate for tax remitted in error by suppliers.....	4
Sale of new, used, or donated goods in a second-hand store.....	5
Reminder – GST/HST Web registry.....	6
What's new with GST/HST electronic filing?.....	6
New online enquiries service.....	7
Online services built for businesses.....	7
Prescribed rates of interest.....	8
What's new in publications.....	8
Enquiries.....	10

## Federal Budget 2012

The federal budget, tabled by the Minister of Finance on March 29, 2012, included several proposed measures relating to the GST/HST and excise tax and also proposed *Amendments to Various GST/HST Regulations*. The *Notice of Ways and Means Motion to Amend the Excise Tax Act* is now Bill C-38, the *Jobs, Growth and Long-term Prosperity Act*, which was introduced and received First Reading in the House of Commons on April 26, 2012. The following are highlights of these measures for GST/HST and excise tax purposes.

## Health

Currently, supplies of most health care services are exempt from the GST/HST and supplies of prescription drugs and many medical devices are zero-rated. Bill C-38 proposes to expand these exempting and zero-rating provisions.

## Pharmacists' services

Effective for supplies made after March 29, 2012, Bill C-38 proposes to exempt:

non-dispensing services rendered by a pharmacist within a pharmacist-patient relationship for the promotion of the patient's health or for the prevention or treatment of a disease, disorder or dysfunction of the patient; and

diagnostic services prescribed by regulation and ordered by a pharmacist if the order is made within a pharmacist-patient relationship and the pharmacist is authorized under the laws of the province in which the person practises to order such a service.

**Online services for business accounts:** To view account information and do transactions, go to [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative or employee; or [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), if you are the business owner. See the article in this issue of the *Excise and GST/HST News* for more information.

**GST/HST NETFILE:** Faster processing and refunds, immediate confirmation of receipt, and no postal costs. Go to [www.cra.gc.ca/gsthst-netfile](http://www.cra.gc.ca/gsthst-netfile) through [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative or employee; or [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), if you are the business owner.

La version française de la présente publication est intitulée *Nouvelles sur l'accise et la TPS/TVH*.

### **Corrective eyewear**

Currently, corrective eyewear is zero-rated when it is supplied on the written order of an eye care professional authorized under the laws of the province in which the person practises to prescribe eyeglasses or contact lenses.

Bill C-38 proposes to expand the zero-rating provision to include corrective eyewear supplied under the authority of an assessment record produced by a person who is entitled under the laws of the province in which the person practises (e.g., an optician) to produce the assessment record authorizing the dispensing of corrective eyewear.

This measure will apply to supplies made after March 29, 2012 and to supplies made before March 30, 2012, if GST/HST was not charged, collected or remitted in respect of the supply.

### **Medical and assistive devices supplied on written orders**

Currently, certain medical and assistive devices supplied on the written order of a “medical practitioner” are zero-rated.

Bill C-38 proposes to repeal the definition of “medical practitioner” for purposes of these zero-rating provisions and replace it with “specified professional”. “Specified professional” means a person entitled to practise the profession of medicine, physiotherapy or occupational therapy or a registered nurse. As a result, after March 29, 2012, certain medical and assistive devices that are zero-rated when supplied on the written order of a physician will also be zero-rated if they are supplied on the written order of a physiotherapist, occupational therapist or registered nurse.

### **Blood coagulation monitoring or metering devices and associated test strips and reagents**

Bill C-38 proposes that supplies of blood coagulation monitoring or metering devices and associated test strips and reagents made after March 29, 2012, will be zero-rated.

### **Drugs**

Bill C-38 proposes to zero-rate supplies of the drug “Isosorbide-5-mononitrate” made after March 29, 2012 and supplies made before March 30, 2012, if GST/HST was not charged, collected or remitted in respect of the supply.

### ***GST rebate for books given away for free by prescribed literacy organizations***

Currently, the rebate of the GST and the federal part of the HST for printed books (including audio recordings of printed books and printed versions of religious scriptures) that is available to specified organizations (such as public libraries, educational institutions and prescribed literacy organizations) does not apply to books that are acquired to be given away.

For acquisitions and importations of printed books in respect of which tax becomes payable after March 29, 2012, Bill C-38 proposes to allow prescribed literacy organizations to claim a rebate of the GST (and the federal part of the HST) in respect of those books.

Charities and qualifying non-profit organizations whose primary purpose is to promote literacy are prescribed by regulation and are listed in the Schedule under the *Federal Book Rebate (GST/HST) Regulations*.



### **Increasing GST/HST streamlined accounting thresholds**

Currently, most small businesses and most public service bodies have the option of electing to use a simplified method for calculating their net tax or public service body rebate, subject to certain thresholds. For reporting or claim periods beginning after 2012, the budget proposed *Amendments to Various GST/HST Regulations* to double the thresholds as follows:

#### **Quick method**

The annual taxable sales threshold will double from \$200,000 to \$400,000.

#### **Streamlined input tax credit method and the simplified method of calculating public service body rebates**

The annual taxable sales threshold will double from \$500,000 to \$1,000,000; and the annual taxable purchases threshold will double from \$2,000,000 to \$4,000,000.

### **Foreign-based rental vehicles temporarily imported by Canadian resident individuals**

Currently, Canadian resident individuals who temporarily import foreign-based rental vehicles into Canada generally have to pay the GST on the full value of the vehicle and any applicable excise taxes.

Effective for importations after May 31, 2012, Bill C-38 proposes that where a Canadian resident individual temporarily imports a foreign-based rental vehicle for a period not exceeding 30 days:

GST/HST will apply on fixed monetary values for each week or part of a week the vehicle is in Canada at the rate of the province where it is imported if, at the time of importation, the resident has been outside Canada for less than 48 hours as follows;

- o \$200 for cars;
- o \$300 for pick-up trucks, sport utility vehicles and vans; and
- o \$1,000 for recreational vehicles, such as motor homes;

GST/HST will not apply if, at the time of importation, the resident has been outside Canada for at least 48 hours; and

excise taxes on fuel-inefficient vehicles (i.e., the Green Levy) and on automotive air conditioners will not apply.

### **Green Levy**

Currently, the application of the excise tax on fuel-inefficient vehicles (i.e., the Green Levy) is based on the weighted average (i.e., 55 per cent city/45 per cent highway) fuel consumption rating for a vehicle determined in accordance with information published by the Government of Canada under the EnerGuide mark on the basis of a standardized two-cycle test method. On February 17, 2012, the Government announced that it will be changing the standardized fuel consumption test method used for the EnerGuide.

To ensure that any changes to this test method do not affect the application of the Green Levy, effective on Royal Assent, Bill C-38 proposes that the weighted average fuel consumption rating for purposes of the Green Levy will continue to be determined by reference to the current test method (i.e., the standardized two-cycle test method).



## **Proposed transitional rules – elimination of the harmonized sales tax in British Columbia**

On February 17, 2012, the Department of Finance published a news release, *Department of Finance Announces Transitional Rules for the Elimination of the Harmonized Sales Tax in British Columbia* (2012-017), announcing proposed transitional rules for the provincial decision to eliminate the HST in British Columbia (B.C.). The proposed transitional rules specify how and when the B.C. component of the HST would cease to apply to transactions that straddle March 31, 2013. The effective date for the transition from the HST to the GST on taxable supplies made in B.C. would be April 1, 2013.

In addition, on February 17, 2012, the Government of British Columbia released a tax information notice concerning enhancements to the B.C. new housing rebates and new residential rental property rebates, as well as transitional rules for supplies of residential real property in B.C.

For more information please see GST/HST Notice270, *Elimination of the HST in British Columbia in 2013 – Questions and Answers* on the CRA Web site and GST/HST Notice272, *Harmonized Sales Tax – Questions and Answers on Proposed Enhancements to the British Columbia New Housing Rebates and New Residential Rental Property Rebate*

## **Prince Edward Island harmonized sales tax**

On April 18, 2012, the Province of Prince Edward Island announced in their budget that it will enter into formal negotiations with the federal government to implement a harmonized sales tax (HST) at the rate of 14%, effective April 1, 2013. Next issues of the *Excise and GST/HST News* will provide more information on the subject.

## **Rebate for tax remitted in error by suppliers**

Under section 261 of the *Excise Tax Act*, a supplier who has remitted an amount in error as or on account of GST/HST may apply for a rebate. This rebate does not apply to a supplier who has mistakenly charged or collected the GST/HST. The supplier is required to include this tax amount in the net tax calculation in a GST/HST return for the reporting period in which the tax was charged or collected. The supplier may refund, adjust or credit the excess amount of tax that was charged to or collected from a purchaser, within two years after the day the tax was charged or collected. The supplier is then allowed to deduct the excess amount refunded or credited in determining the supplier's net tax for the reporting period in which a credit or debit note is issued, to the extent that the amount has been included in determining the supplier's net tax for the reporting period or a preceding reporting period.

However, a supplier can apply for a rebate of an amount remitted in error in specific situations, such as:

- if the supplier has not collected GST/HST from a recipient in respect of an exempt or zero-rated supply but has, erroneously, remitted from its funds an amount as GST/HST on that supply; or
- if the supplier has collected an amount of GST/HST from a recipient but has mistakenly remitted more GST/HST than was collected.

The rebate is not available to the extent that the amount was taken into account as tax or net tax for a reporting period of the supplier and the Minister has assessed the supplier for that reporting period. Starting in April 2007 the Canada Revenue Agency (the CRA) has in most cases issued a Notice of Assessment once a GST/HST return was filed. In the event that an assessment was raised for the reporting period in question, the supplier is not eligible to file a rebate application for tax remitted in error. In this case, the supplier has the following options:

- The supplier may file a Notice of Objection, using Form GST159, *Notice of Objection (GST/HST)*, within 90 days of the assessment.

- If the supplier has not filed the Notice of Objection within that time frame, the supplier may file an application for an extension of time to file the Notice of Objection if there is a valid reason for failing to file the objection on time. The application must be made within one year after the expiration date for filing the Notice of Objection.
- The supplier may also request a reassessment. The request should be made in writing to the local tax services office and provide the details of any requested adjustments to the previously filed GST/HST return. A request for a reassessment must be made within four years after the later of the day the return was required to be filed and the date the return was filed.

Since April 2011, a GST/HST return for a reporting period in which the net tax owing is equal to the payment made with the return will generally no longer be automatically assessed upon initial filing. Consequently, a Notice of Assessment would not be issued for that period. If the GST/HST return is not assessed, the supplier who has remitted the tax in error in that return may claim a rebate for the tax remitted in error, as long as the rebate claim is submitted within two years after the day the amount was remitted. The rebate may be claimed using Code 1 on Form GST189, *General Application for Rebate of GST/HST*. For detailed instructions on how to complete the form, please refer to the Guide RC4033, *General Application for GST/HST Rebates*.

### **Sale of new, used, or donated goods in a second-hand store**

The sale of new, used, or donated goods in a second-hand store operated by a non-profit organization, or a for-profit organization, is generally taxable and GST/HST would have to be collected on these sales when made by a GST/HST registrant.

In contrast, sales in a second-hand store operated by a person that is a registered charity under the *Income Tax Act* (and therefore a charity for GST/HST purposes) are treated differently. Sales in a charity's second-hand store of goods that were donated to the charity or used by another person before their acquisition by the charity are exempt of the GST/HST. However, the sale in a charity's second-hand store of new goods is generally taxable and, when the charity is a GST/HST registrant, it will be required to collect GST/HST on these sales.

Where a second-hand store is located in Ontario, Nova Scotia or British Columbia, and where that store's sales are subject to GST/HST (e.g., where the sales are by a non-profit organization), there would be a point-of-sale rebate for the provincial part of the HST payable on certain qualifying children's goods and on certain qualifying books. A point-of-sale rebate on certain qualifying books is also available in New Brunswick and Newfoundland and Labrador. Where the point-of-sale rebate applies, the qualifying items would only be subject to the federal part of the HST (i.e., 5% tax, rather than 12%, 13% or 15%). The CRA has published two Info Sheets that explain these rebates: GST/HST Info Sheet GI-063, *Harmonized Sales Tax for Ontario, British Columbia and Nova Scotia – Point-of-Sale Rebate on Children's Goods* and GST/HST Info Sheet GI-065, *Harmonized Sales Tax for Ontario and British Columbia – Point-of-Sale Rebate on Books*. Information on the point-of-sale rebate on books sold in Nova Scotia, New Brunswick and Newfoundland and Labrador can be found in GST/HST Memoranda 13.4, *Rebates for Printed Books, Audio Recordings of Printed Books, and Printed Versions of Religious Scriptures*. These publications can be found on the CRA Web site.

A GST/HST registrant is a person who is registered, or who is required to be registered. Every person who makes a taxable supply in Canada in the course of a commercial activity must register for the GST/HST except where: the person is a small supplier (excluding a person that carries on a taxi business); the only commercial activity of the person is the making of supplies of real property by way of sale otherwise than in the course of a business; or the person is a non-resident person who does not carry on any business in Canada.



A “small supplier” refers to a person whose revenue from worldwide taxable supplies was equal to or less than \$30,000 (\$50,000 for public service bodies) in a calendar quarter and over the last four consecutive calendar quarters. Charities and public institutions are also considered small suppliers if they meet the gross revenue test of \$250,000 or less.

Most small suppliers engaged in a commercial activity in Canada can choose to register voluntarily. Small suppliers who register voluntarily must collect and remit GST/HST on their taxable supplies of goods and services and subsequently, can claim input tax credits (ITCs) for the GST/HST paid or owed on purchases related to these supplies. Small suppliers who choose not to register will not collect GST/HST on their supplies (other than on taxable sales of real property and certain sales of capital property made by a municipality or designated municipality), and are not entitled to claim the GST/HST paid on business purchases as ITCs.

### **Reminder – GST/HST Web registry**

For the purposes of claiming input tax credits (ITCs) on your purchases of \$30 or more, the Act requires you to have supporting documentation for the purchase, which includes the GST/HST registration number of the supplier from whom you are purchasing goods or services.

The GST/HST account number (also referred to as a Business Number or registration number) must be included on receipts, invoices, contracts, or other business papers used when taxable goods or services of \$30 or more are supplied by a person registered for GST/HST.

You can verify whether your suppliers are providing valid GST/HST numbers by using the GST/HST Registry. Visit the CRA Web page at [www.cra.gc.ca/gsthstregistry](http://www.cra.gc.ca/gsthstregistry).

If you are having trouble using the GST/HST Registry, please call Business Enquiries at: 1-800-959-5525.

### **What’s new with GST/HST electronic filing?**

Effective April 16, 2012, several new or enhanced services will be available for GST/HST return and rebate filers via the My Business Account portal.

To sign up and access these new and enhanced services, go to:

- [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount) if you are a business owner; or
- [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives) if you are a representative (including employees).

The new services being introduced for GST/HST are:

#### ***View expected and filed returns***

The CRA has revised the “View a return” option and renamed it “View expected and filed returns”. In addition to viewing the detailed line-by-line information for returns that are assessed or reassessed, you can now also view any expected returns and their due date.

#### ***File an election***

This new feature provides an electronic filing alternative for the following elections:

- GST20, *Election for GST/HST Reporting Period*
- GST70, *Election or Revocation of an Election to Change a GST/HST Fiscal Year*
- GST71, *Notification of Accounting Periods*



## **View a PSB rebate**

This new option provides an easy way for public service bodies to view rebates that they have previously filed.

## **New online enquiries service**

The CRA is offering a new service where businesses and their representatives can now ask us questions about their tax account online and get responses in writing electronically in My Business Account.

The new “Enquiries service” has the “Submit an enquiry” option to ask your specific account-related questions. The CRA will strive to provide a response to your submitted enquiry within 10 business days. You will find your response in the “View correspondence” service if you requested to receive a notification by e-mail or through the “Message Centre” service in My Business Account when it is completed and ready for viewing.

To sign up and access the new online “Enquiries service”, go to:

[www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount) if you are a business owner; or

[www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives) if you are an employee or a representative of a business.

## **Online services built for businesses**

Going online makes good business sense. Take control of your business’s tax accounts, and instantly access and make changes to tax information online. With CRA’s online secure portals, you can:

- authorize a representative for **online access** to your business accounts
- manage or view addresses (**new service**)
- file and adjust a GST/HST return without a Web access code; and, view a processed return line-by-line along with the processing status and expected returns (**enhanced service**)
- file a Public Service Bodies’ (PSB) rebate for registrant and non-registrant PSB filers
- adjust and view previously filed PSB rebates (**new services**)
- file an election (**new service**)
- file Form GST189, *General Application for Rebate of GST/HST* for Ontario First Nations point-of-sale relief through My Business Account when filing a GST/HST return
- view notices and statements
- view up-to-date account balances and transactions
- view endorsements
- transfer payments within a program account and between program accounts of the same nine-digit business number and immediately view updated balances
- calculate instalment payments
- view representative’s transactions
- view banking information
- view and manage operating names
- manage profile to add or remove a business
- submit an enquiry, or make online requests (for example, order additional remittance vouchers) (**new service**)
- view messages in the Message Centre about new electronic services or other information as well as receive notification of responses to your submitted enquiries (**enhanced service**)
- submit suggestions to improve My Business Account (**new service**)
- access our online secure portals, for:

- business owners, go to [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), or
- representatives (including employees), go to [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives).

### Prescribed rates of interest

The prescribed annual rate of interest in effect from April 1, 2012, to June 30, 2012, on overdue amounts payable to the Minister is 5%. The prescribed annual rate of interest on amounts owed by the Minister (i.e., rebates or refunds) is 1% for corporate taxpayers and 3% for non-corporate taxpayers. These rates are applicable to income tax, excise tax, the softwood lumber products export charge, GST/HST and the air travellers security charge (ATSC) and excise duty on wine, spirits and tobacco.

The prescribed annual rate of interest respecting excise duty on beer, on overdue amounts payable for the indicated period, is set at 3%. Refund interest rates are not applicable for amounts owed by the Minister (i.e., rebates or refunds) for excise duty that is in relation to beer.

Period	Income Tax, Excise Tax, Softwood Lumber Products Export Charge, GST/HST and ATSC, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)
	Refund Interest	Arrears and Instalment Interest	Arrears Interest
<b>2012</b>			
April 1 – June 30	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%
January 1 – March 31	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%
<b>2011</b>			
October 1 – December 31	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%
July 1 – September 30	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%

Prescribed interest rates for previous years are available on the CRA Web site at [www.cra.gc.ca/interestrates](http://www.cra.gc.ca/interestrates).

### What's new in publications

The following is a list of new or revised excise and GST/HST forms and publications.

#### **GST/HST forms**

GST10	<i>Application or Revocation of the Authorization to File Separate GST/HST Returns and Rebate Application for Branches or Divisions</i>
GST44	<i>Election Concerning the Acquisition of a Business or Part of a Business</i>
GST70	<i>Election or Revocation of an Election to Change a GST/HST Fiscal Year</i>
GST189	<i>General Application for Rebate of GST/HST</i>
GST191	<i>GST/HST New Housing Rebate Application for Owner-Built Houses</i>
GST191-WS	<i>Construction Summary Worksheet</i>
GST288	<i>Supplement to Forms GST189 and GST498</i>

GST524	<i>GST/HST New Residential Rental Property Rebate Application</i>
RC145	<i>Request to Close Business Number (BN) Program Accounts</i>
RC325	<i>Address change request</i>
RC7001-BC	<i>British Columbia Provincial Sales Tax (PST) Transitional New Housing Rebate – Residential Condominiums</i>
RC7002-BC	<i>British Columbia Provincial Sales Tax (PST) Transitional New Housing Rebate – Apartment Buildings</i>
RC7190-BC	<i>GST190 British Columbia Rebate Schedule</i>
RC7191-BC	<i>GST191 British Columbia Rebate Schedule</i>
RC7524-BC	<i>GST524 British Columbia Rebate Schedule</i>

### **GST/HST notices**

Notice269	<i>For discussion purposes only – Draft GST/HST Memorandum 3.7, Natural Resources</i>
Notice270	<i>Elimination of the HST in British Columbia in 2013 – Questions and Answers</i>
Notice271	<i>Filing a First Nations Tax (FNT) Schedule (Form GST499/Form GST499-1)</i>
Notice272	<i>Harmonized Sales Tax – Questions and Answers on Proposed Enhancements to the British Columbia New Housing Rebates and New Residential Rental Property Rebates</i>
Notice273	<i>GST/HST Rulings Service – Eligibility of Tours under the Foreign Convention and Tour Incentive Program</i>

### **GST/HST Info sheets**

ISI-125	<i>Direct Selling Industry – The Alternate Collection Method for Approved Direct Sellers and Approved Distributors</i>
ISI-126	<i>Direct Selling Industry – The Alternate Collection Method for Independent Sales Contractors</i>

### **GST/HST guides**

EG4028	<i>GST/HST New Housing Rebate</i>
EG4033	<i>General Application for GST/HST Rebates</i>
EG4100	<i>Harmonized Sales Tax and the Provincial Motor Vehicle Tax</i>
EG4231	<i>GST/HST New Residential Rental Property Rebate</i>
EG4409	<i>Keeping Records</i>
EG4420	<i>Information on CRA – Service Complaints</i>

### **GST/HST Policy Statements**

EP202	<i>Gift Certificates</i>
-------	--------------------------

### **GST/HST memoranda**

EM3	<i>General Restrictions and Limitations (modification)</i>
EM3	<i>Calculating Input Tax Credits</i>
EM3	<i>Input Tax Credits for Holding Corporations and Corporate Takeovers (modification)</i>

### **Excise duty forms**

EF370	<i>Excise duty return – Non-Licensee</i>
-------	--



## **Excise duty memoranda**

EDM1-1-2      *Regional Excise Duty Offices*

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at [www.cra.gc.ca/gsthsttech](http://www.cra.gc.ca/gsthsttech), at [www.cra.gc.ca/etsl](http://www.cra.gc.ca/etsl), and at [www.cra.gc.ca/exciseduty](http://www.cra.gc.ca/exciseduty).

To receive email notification as soon as a document is published on the CRA Web site, go to the electronic mailing lists page at [www.cra.gc.ca/lists](http://www.cra.gc.ca/lists) and subscribe to the RSS feed for all new CRA publications and forms, or subscribe to any number of mailing lists for different types of publications.

## **Enquiries**

**For online access to business accounts, such as view up-to-date account balances and transactions, transfer payments, and more** for your GST/HST, softwood lumber products export charge, air travellers security charge as well as excise taxes and duty accounts, go to:

- [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative or employee; or
- [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), if you are the business owner.

**For technical help while using our online services for:**

- business accounts, call 1-877-322-7849
- teletypewriter users, call 1-888-768-0951
- calls outside of Canada and the United States, call collect 709-772-8371

Please have the screen number (bottom right); and if applicable, the error number and message received on hand when calling.

**For general information and to make enquiries regarding your account** (except for softwood lumber products export charge accounts), call Business Enquiries at 1-800-959-5525.

**For enquiries regarding your softwood lumber products export charge account**, call 1-800-935-0313.

**To make enquiries regarding the status of specific GST/HST domestic rebate claims**, call 1-800-565-9353.

**For GST/HST technical enquiries** call GST/HST Rulings at 1-800-959-8287.

### **Forms and publications**

To access forms and publications online go to [www.cra.gc.ca/orderforms](http://www.cra.gc.ca/orderforms).

To order forms and publications by telephone call 1-800-959-2221.

### **Are you a GST/HST registrant located in Quebec?**

To make an enquiry or obtain information on the GST/HST, contact Revenu Québec at 1-800-567-4692 or visit their Web site at [www.revenuquebec.ca](http://www.revenuquebec.ca).

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), First Nations goods and services tax (FNGST) and First Nations tax (FNT), softwood lumber products export charge, air travellers security charge (ATSC) as well as excise taxes and duties. If you would like to receive a link to each new edition of the *Excise and GST/HST News* as it is published, subscribe to the electronic mailing list.

This publication is provided for information purposes only and does not replace the law, either enacted or proposed. Please note that any commentary in this newsletter regarding proposed measures should not be taken as a statement by the CRA that such measures will in fact be enacted into the law in their current form. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, ON K1A 0L5.

## Table of Contents

Elimination of the harmonized sales tax in British Columbia – transitional rules .....	1
Bill C-38 receives Royal Assent.....	1
The Supreme Court of Canada supports CRA's position .....	2
HST place of supply rules for determining whether a supply is made in a province .....	3
Research Activities Undertaken by Hospital Authorities – Entitlement to Rebates and Tax Status of Services .....	3
Acceptable proof – expired Certificate of Indian Status card and Temporary Confirmation of Registration Document .....	4
GST/HST rebate/refund holds and outstanding corporate income tax returns (T2s) for corporations exempt from paying tax under the <i>Income Tax Act</i> .....	4
Interprovincial movement of wine .....	5
Keeping businesses informed.....	5
Online services built for businesses.....	6
Online services built for individuals.....	6
Prescribed rates of interest.....	7
What's new in publications .....	7
Enquiries.....	9

## Elimination of the harmonized sales tax in British Columbia – transitional rules

On May 31, 2012, the Government of British Columbia (B.C.) passed Bill 56 - 2012, *New Housing Transition Tax and Rebate Act*, giving effect to the B.C. transition tax and the B.C. transition rebate, which were proposed by B.C. on February 17, 2012. The B.C. transition tax and rebate will apply to certain supplies of residential real property made in B.C. where a transaction straddles the April 1, 2013 effective date for B.C.'s return to the provincial sales tax. More information will be made available on the CRA Web site in the coming months.

## Bill C-38 receives Royal Assent

Bill C-38, the *Jobs, Growth and Long-term Prosperity Act*, received Royal Assent on June 29, 2012 and is now referred to as Statutes of Canada, 2012, c. 19. Bill C-38 includes several measures relating to the GST/HST and excise tax and also various GST/HST regulations. The Spring 2012 edition of the *Excise and GST/HST News*, No. 84 discusses these measures.

**Online services for business accounts:** To view account information and do transactions, go to [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative or employee; or [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), if you are the business owner. See the article in this issue of the *Excise and GST/HST News* for more information.

**GST/HST NETFILE:** Faster processing and refunds, immediate confirmation of receipt, and no postal costs. Go to [www.cra.gc.ca/gsthst-netfile](http://www.cra.gc.ca/gsthst-netfile) or through [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative or employee; or [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), if you are the business owner.

La version française de la présente publication est intitulée *Nouvelles sur l'accise et la TPS/TVH*.





## **The Supreme Court of Canada supports CRA's position**

The recent decision of the Supreme Court of Canada (SCC) in *Calgary (City) v. Canada*, 2012 SCC 20 supports the Canada Revenue Agency's (CRA) position relating to the application of the GST/HST to grants and subsidies. It is consistent with the guidance provided in CRA's GST/HST Technical Information Bulletin B-067, *GST/HST Treatment of Grants and Subsidies* (TIB-067).

### **Background**

Governments and other bodies often provide transfer payments, including grants, subsidies and other types of financial assistance to grantees. Where these types of transfer payments are provided to fund or subsidize a grantee's activities and not to pay for a supply, they are not consideration for a supply for purposes of the *Excise Tax Act* (the Act) and therefore, are not subject to the GST/HST. TIB-067 provides guidance in this regard. It clarifies that the appropriate test for determining when a transfer payment is consideration for a supply is whether there is a direct link between the payment and a supply to the grantor or to a third party specified by the grantor.

On April 26, 2012, the SCC rendered its decision in *Calgary (City) v. the Queen*, dismissing the appeal by the City of Calgary and unanimously upholding the decision of the Federal Court of Appeal in favour of the CRA's position.

The City of Calgary (the City) had argued successfully in the Tax Court of Canada (TCC)(2009 TCC 272) that funding it received from the Province of Alberta (the Province) was consideration for a taxable supply to the Province of a service of making available transit facilities for the citizens of Calgary. Therefore, the TCC held, the City was entitled to claim input tax credits in respect of GST paid in relation to that supply.

The Federal Court of Appeal (FCA) (2010 FCA 127) overturned the TCC's decision, agreeing with the CRA that there was no supply to the Province and concluding that the only supply by the City was the supply of exempt municipal transit services to the public. The FCA found that there was nothing in the authorizing legislation that required the City to construct any facilities for the Province. It found that the legislation only authorized the Province to provide the City with financial assistance. It also held that the agreements between the City and the Province, under which the financial assistance was paid, were framework funding agreements which provided a mechanism by which the financial assistance would be administered and accountability would be maintained. The City was granted leave to appeal the FCA's decision to the SCC.

### **SCC Decision**

In its judgment, the SCC looked at the scheme and structure of the Act and considered the relevant jurisprudence. In particular, the SCC reviewed and accepted the test for determining whether there is a single or multiple supply(ies), as set out by the TCC in *OA Brown Ltd. v. Canada* [1995] G.S.T.C 40.

The SCC then went on to consider whether or not the payments by the Province to the City were consideration for any supply. The SCC stated that "to determine whether the Province received any service or benefit from the City, the nature of the respective obligations of the City and the Province under the Agreements, having regard to the statutory context, must be analyzed." After undertaking this analysis, the SCC concluded the following:

1. there was nothing in the relevant statutes or Agreements that required the City to supply any goods, services or other benefit to the Province;
2. the Province provided funding under the Agreements to assist the City in carrying out its own activities;



3. the FCA was correct in finding that the Agreements were simply framework funding agreements and the conditions in the Agreements generally, related to the application of the funds, the required accounting, and other matters of an administrative nature; and
4. the funding was not provided to the City to obtain a supply of accountability and the City's compliance with the accountability measures in the Agreements did not amount to the provision of any goods, services or benefit to the Province.

Based on the above, the SCC agreed with the CRA's position and held that the construction and acquisition of the transit facilities were inputs into the City's supply of municipal transit services to the public and not a separate supply by the City. There was only one supply by the City – the exempt supply of municipal transit services to the public. As a result, the City was not entitled to claim input tax credits for GST/HST paid in the course of acquiring and constructing the municipal transit facilities.

In conclusion, the SCC sets out a logical approach to determine when a transfer payment is consideration for a supply for purposes of the Act. First, a determination must be made as to whether or not there is a supply between the grantor and the grantee. If there is a supply, one must then determine whether the payments are consideration for the supply. In making such determinations, one must analyze the nature of any obligations of the parties both in the authorizing statutes and in the terms of any agreements under which the transfer payments are made. The judgment by the SCC reinforces the position that the CRA has consistently taken in relation to the application of GST/HST to grants and subsidies and other financial assistance and it supports the guidance, including the application of the "direct link" test, provided in the TIB-067.

## **HST place of supply rules for determining whether a supply is made in a province**

GST/HST Technical Information Bulletin (TIB) B-103, *Harmonized Sales Tax – Place of supply rules for determining whether a supply is made in a province*, has been revised and published in draft form for public comments.

TIB B-103 explains the place of supply rules (including new place of supply rules included in the *New Harmonized Value-added Tax System Regulations* published on June 9, 2010) that determine whether a supply is made in a province for purposes of determining whether the supply is made in a participating province and consequently subject to the provincial part of the HST in addition to the federal part of the HST.

Please send your comments by September 30, 2012 to the Manager, Border Issues Unit, General Operations and Border Issues Division, Excise and GST/HST Rulings Directorate, Canada Revenue Agency, 16th floor, Place de Ville, Tower A, 320 Queen Street, Ottawa, ON K1A 0L5.

## **Research Activities Undertaken by Hospital Authorities – Entitlement to Rebates and Tax Status of Services**

GST/HST Policy Statement, *Research Activities Undertaken by Hospital Authorities - Entitlement to Rebates and Tax Status of Services*, has been published in draft form (as GST/HST Notice274) on the CRA Web site for public comments.

This policy sets out the CRA's position concerning the eligibility of hospital authorities to claim an 83% rebate of the GST and the federal part of the HST as well as any corresponding rebate of the provincial part of the HST for the non-creditable tax charged that is incurred by hospital authorities in the course of carrying out research activities.

Please send your comments by September 30, 2012 to the Director, Public Service Bodies and Governments Division, Excise and GST/HST Rulings Directorate, Canada Revenue Agency, 14th floor, Place de Ville, Tower A, 320 Queen Street, Ottawa, ON K1A 0L5.

## **Acceptable proof – expired Certificate of Indian Status card and Temporary Confirmation of Registration Document**

First Nation individuals entitled to claim tax relief under the CRA administrative policy explained in GST/HST Technical Information Bulletin B-039, *GST/HST Administrative Policy - Application of the GST/HST to Indians*, need to provide vendors with proof of registration under the *Indian Act*.

The CRA accepts as proof of registration under the *Indian Act* the Certificate of Indian Status card or the *Temporary Confirmation of Registration Document* (TCRD) both of which are issued by Aboriginal Affairs and Northern Development Canada (AANDC).

AANDC is in the process of introducing a new Secure Certificate of Indian Status card (SCIS card) that will improve security and reliability. At present, there are various versions of the Certificate of Indian Status card in circulation which makes it difficult to enforce the renewal requirement as not all cards currently in circulation have an expiry date.

In the case of the TCRD, the delays in moving to the SCIS card have meant that some newly registered First Nation individuals have not received the SCIS card prior to their TCRD expiry date.

Therefore, the CRA will accept an authentic Certificate of Indian Status card or TCRD, even if expired, as supporting documentation that the purchaser is an Indian. In the case of the TCRD additional picture identification could be presented along with the expired TCRD as further authentication. The CRA will review this position after AANDC makes the new SCIS Cards available to all First Nations individuals registered under the *Indian Act*.

## **GST/HST rebate/refund holds and outstanding corporate income tax returns (T2s) for corporations exempt from paying tax under the Income Tax Act**

On April 25, 2012, the CRA published a Fact sheet *Canada Revenue Agency to ease burden on tax exempt corporations*, which announced that the CRA has concluded its review of this issue and has determined that refunds or rebates will not be withheld from incorporated MUSH entities (municipalities, universities, schools, and hospitals), non-profit organizations, federal Crown corporations, and Indian band councils that are exempt from federal income tax under the *Income Tax Act* when they have outstanding T2 returns. This decision adopts indefinitely the administrative position on this issue which was first introduced in 2008.

The Fall 2009 edition of the *Excise and GST/HST News* (No. 74) referred readers to the July 16, 2009 Fact sheet, *Compliance refund hold impact on tax-exempt corporations*, which announced an extension through to the 2010 taxation year of its administrative position to not automatically withhold refunds or rebates of the above entities. The Winter 2008 edition of the *Excise and GST/HST News* (No. 67) published information on the administrative position for the initial extension period.



## Interprovincial movement of wine

On June 28, 2012, Bill C-311, *An Act to Amend the Importation of Intoxicating Liquors Act* (interprovincial importation of wine for personal use) received Royal Assent. This amendment to the *Importation of Intoxicating Liquors Act* (IILA), which is effective immediately, removes the federal barrier prohibiting individuals from moving wine from one province to another when it is for their personal use.

The taxation and regulation of wine are the responsibility of both the federal and provincial governments. As such, it is important to note that the amendment, without appropriate provincial legislative or regulatory authorization, will not automatically permit individuals to move wine interprovincially or to place orders with wineries by telephone or the Internet.

The IILA is a federal statute governing the interprovincial transportation, international importation and release of beverage alcohol. It was established in 1928 at the request of the provinces after the revocation of their liquor prohibition laws.

The amendment does not remove existing provincial laws related to the importation of wine, nor does it change existing laws for importing alcohol into the territories which are governed by separate federal statutes. As well, there are no changes to either the federal taxation or regulation of wine. There will be no change to the reporting of wine transactions by federal *Excise Act*, 2001 licensees.

The amendment does not affect the provincial regulation of wine, but respects the provincial jurisdiction on the possession, movement and sale of wine within a province. It also provides the provinces with the authority to introduce and regulate the personal importation of wine into their jurisdictions.

For more information on this subject, see Excise Duty Notice EDN31, *Amendment to the Importation of Intoxicating Liquors Act*, or you can contact your nearest regional excise duty office. A list of regional excise duty offices is available in Excise Duty Memorandum EDM1-1-2, *Regional Excise Duty Offices*.

## Keeping businesses informed

The CRA uses several tools to keep individuals, businesses, and their representatives informed of the latest tax-related news and updates.

If you are visiting the CRA's Web site frequently to ensure you don't miss any updates, there's an easier and faster way to stay informed. Signing up for our *Businesses – Tax information newsletter* is a great way for business owners and their representatives to stop searching and start receiving general updates by email as they are issued.

When you sign up to receive the *Businesses – Tax information newsletter* by email or by RSS feed, the CRA will share information with you such as:

- tax tips;
- new or improved electronic services;
- legislative and regulatory changes;
- events and seminars; and
- business-related videos that have been posted to our Web site at [www.cra.gc.ca/videogallery](http://www.cra.gc.ca/videogallery).

To sign up for the *Business – Tax information newsletter*, go to [www.cra.gc.ca/lists](http://www.cra.gc.ca/lists) or [www.cra.gc.ca/rssfeeds](http://www.cra.gc.ca/rssfeeds). If you are looking for other ways to stay connected, follow us on Twitter or visit the CRA's YouTube Channel for tax-related videos.



## Online services built for businesses

Going online makes good business sense. Take control of your business's tax accounts, and instantly access and make changes to tax information online. With CRA's online secure portals, you can:

- authorize a representative for **online access** to your business accounts
- manage or view addresses
- file and adjust most GST/HST returns without a Web access code
- view most processed returns line-by-line along with the processing status and expected returns
- file a Public Service Bodies' (PSB) rebate for registrant and non-registrant PSB filers
- review and adjust previously filed PSB rebates
- file certain elections
- file Form GST189, *General Application for Rebate of GST/HST* for Ontario First Nations point-of-sale relief through My Business Account or NETFILE when filing a GST/HST return
- view notices and statements
- view up-to-date account balances and transactions
- view endorsements
- transfer payments within a program account and between program accounts of the same nine-digit business number and immediately view updated balances
- calculate instalment payments
- view representative's transactions
- view banking information
- view and manage operating names
- manage profile to add or remove a business
- submit an enquiry, or make online requests (for example, order additional remittance vouchers)
- view messages in the Message Centre about new electronic services or other information as well as receive notification of responses to your submitted enquiries
- submit suggestions to improve My Business Account

To access our online secure portals, for:

- business owners, go to [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), or
- representatives (including employees), go to [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives).

## Online services built for individuals

Instantly access information and make changes online to your personal income tax and benefit account. You can:

- change your return, address, telephone numbers, or marital status
- apply for child benefits
- arrange for direct deposit
- authorize your representative
- set up a payment plan
- formally dispute your assessment or determination

For more information, go to:

- [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative; or
- [www.cra.gc.ca/myaccount](http://www.cra.gc.ca/myaccount), if you are the individual.

## Prescribed rates of interest

The prescribed annual rate of interest in effect from July 1, 2012, to September 30, 2012, on overdue amounts payable to the Minister is 5%. The prescribed annual rate of interest on amounts owed by the Minister (i.e., rebates or refunds) is 1% for corporate taxpayers and 3% for non-corporate taxpayers. These rates are applicable to income tax, excise tax, the softwood lumber products export charge, GST/HST and the air travellers security charge (ATSC) and excise duty on wine, spirits and tobacco.

The prescribed annual rate of interest respecting excise duty on beer, on overdue amounts payable for the indicated period, is set at 3%. Refund interest rates are not applicable for amounts owed by the Minister (i.e., rebates or refunds) for excise duty that is in relation to beer.

Period	Income Tax, Excise Tax, Softwood Lumber Products Export Charge, GST/HST and ATSC, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)
	Refund Interest	Arrears and Instalment Interest	Arrears Interest
<b>2012</b>			
July 1 – September 30	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%
April 1 – June 30	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%
January 1 – March 31	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%
<b>2011</b>			
October 1 – December 31	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%

Prescribed interest rates for previous years are available on the CRA Web site at [www.cra.gc.ca/interestrates](http://www.cra.gc.ca/interestrates).

## What's new in publications

The following is a list of new or revised excise and GST/HST forms and publications.

### GST/HST forms

GST20	<i>Election for GST/HST Reporting Period</i>
GST20-1	<i>Notice of Revocation of an Election for GST/HST Reporting Period by a Listed Financial Institution</i>
GST111	<i>Financial Institution GST/HST Annual Information Return</i>
GST191	<i>GST/HST New Housing Rebate Application for Owner-Built Houses</i>
RC79	<i>Deposit Advice</i>
RC151	<i>GST/HST Credit Application for Individuals Who Become Residents of Canada</i>
RC4611	<i>Application for Authorization or Revocation for an Exchange-Traded Fund to Use Particular Methods to Determine Its Provincial Attribution Percentages</i>
RC4612	<i>Application to Not be Considered a Selected Listed Financial Institution</i>
RC7001-BC	<i>British Columbia Provincial Sales Tax (PST) Transitional New Housing Rebate - Residential Condominiums</i>
RC7002-BC	<i>British Columbia Provincial Sales Tax (PST) - Transitional New Housing Rebate - Apartment Buildings</i>

### **GST/HST notices**

- Notice273 *GST/HST Rulings Service - Eligibility of Tours under the Foreign Convention and Tour Incentive Program*
- Notice274 *For discussion purposes only - Draft GST/HST Policy Statement, Research Activities Undertaken by Hospital Authorities - Entitlement to Rebates and Tax Status of Services*
- Notice275 *For discussion purposes only – Draft GST/HST Technical Information Bulletin B-103, Harmonized Sales Tax – Place of supply rules for determining whether a supply is made in a province*

### **GST/HST guides**

- RC4210 *GST/HST Credit Including related provincial credits and benefits For the period from July 2012 to June 2013*

### **GST/HST technical information bulletins**

- B-102 *First Nations Goods and Services Tax - Place of Supply (revised)*
- B-103 *For discussion purposes only – Draft GST/HST Technical Information Bulletin B-103, Harmonized Sales Tax – Place of supply rules for determining whether a supply is made in a province*

### **GST/HST memoranda**

- 9-3 *Allowances*
- 9-4 *Reimbursements*

### **Excise duty forms**

- B60 *Excise Duty Entry*
- E110 *Description of Premises to Accompany Application for Licence*

### **Excise duty notices**

- EDN31 *Amendment to the Importation of Intoxicating Liquors Act*
- EDN32 *Federal Excise Stamp Mandatory on Tobacco Products as of July 1, 2012*

### **Excise duty memoranda**

- EDM10-1-7 *Completing an Excise Duty Return - Spirits Licensee (revised)*

### **Softwood lumber products export charge notices**

- SWLN5 *Certification of Independent Remanufacturers (revised)*

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at [www.cra.gc.ca/gsthstech](http://www.cra.gc.ca/gsthstech), at [www.cra.gc.ca/etsl](http://www.cra.gc.ca/etsl), and at [www.cra.gc.ca/exciseduty](http://www.cra.gc.ca/exciseduty).



To receive email notification as soon as a document is published on the CRA Web site, go to the electronic mailing lists page at [www.cra.gc.ca/lists](http://www.cra.gc.ca/lists) and subscribe to the RSS feed for all new CRA publications and forms, or subscribe to any number of mailing lists for different types of publications.

## Enquiries

**For online access to business accounts, such as view up-to-date account balances and transactions, transfer payments, and more**

for your GST/HST, softwood lumber products export charge, air travellers security charge as well as excise taxes and duty accounts, go to:

- [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative or employee; or
- [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), if you are the business owner.

**For technical help while using our online services for:**

- business accounts, call 1-877-322-7849
- teletypewriter users, call 1-888-768-0951
- calls outside of Canada and the United States, call collect 709-772-8371

Please have the screen number (bottom right); and if applicable, the error number and message received on hand when calling.

**For general information and to make enquiries regarding your account** (except for softwood lumber products export charge accounts), call Business Enquiries at 1-800-959-5525.

**For enquiries regarding your softwood lumber products export charge account**, call 1-800-935-0313.

**To make enquiries regarding the status of specific GST/HST domestic rebate claims**, call 1-800-565-9353.

**For GST/HST technical enquiries** call GST/HST Rulings at 1-800-959-8287.

**For online access to your personal income tax and benefit account** where you can authorize your representative; track your refund; change your return, address, or telephone numbers; view tax information slips and your RRSP limit; or check your benefit and credit payments, go to: [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), or [www.cra.gc.ca/myaccount](http://www.cra.gc.ca/myaccount).

### Forms and publications

To access forms and publications online go to [www.cra.gc.ca/orderforms](http://www.cra.gc.ca/orderforms).

To order forms and publications by telephone call 1-800-959-2221.

### Are you a GST/HST registrant located in Quebec?

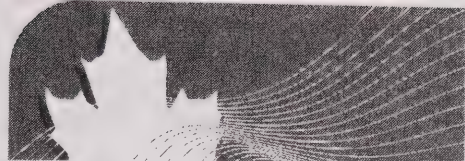
To make an enquiry or obtain information on the GST/HST, contact Revenu Québec at 1-800-567-4692 or visit their Web site at [www.revenuquebec.ca](http://www.revenuquebec.ca).

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), First Nations goods and services tax (FNGST) and First Nations tax (FNT), softwood lumber products export charge, air travellers security charge (ATSC) as well as excise taxes and duties. If you would like to receive a link to each new edition of the *Excise and GST/HST News* as it is published, subscribe to the electronic mailing list.

This publication is provided for information purposes only and does not replace the law, either enacted or proposed. Please note that any commentary in this newsletter regarding proposed measures should not be taken as a statement by the CRA that such measures will in fact be enacted into the law in their current form. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, ON K1A 0L5.







## Table of Contents

Changes to the Quebec sales tax (QST).....	1
Prince Edward Island and the HST .....	2
Reminder for organizations that have been determined or designated as municipalities and organizations that have been designated as hospital authorities that subsequently amalgamate, merge or consolidate .....	2
Elimination of the HST in British Columbia and enhanced British Columbia new housing rebates .....	3
Bill C-45 .....	4
Elimination of the penny.....	4
The supply of a site in a trailer park where the site is occupied by a recreational unit.....	5
Lift chairs – zero-rated medical and assistive devices .....	6
New stamping regime for tobacco products .....	6
Tobacco regulations .....	7
What's new with GST/HST electronic filing?.....	7
Enhancements to online enquiries service .....	7
Prescribed rates of interest.....	8
What's new in publications.....	9
Enquiries .....	11



## Changes to the Quebec sales tax (QST)

On September 29, 2011, the Governments of Canada and Quebec signed a memorandum of agreement that includes the commitment of both parties to conclude the *Canada-Quebec Comprehensive Integrated Tax Coordination Agreement* (CITCA). Based on the CITCA that was signed by both governments in March 2012, Quebec will ensure that the amended QST provincial legislation and its administration will produce results identical to the results produced under the GST/HST federal legislation except for certain exceptions described in that agreement. On May 31, 2012, Finances Québec issued Information Bulletin 2012-4 which discusses the changes that will be made to the QST legislation based on the undertakings set out in the CITCA.

It is important to note that the QST will remain a provincial tax separate from the GST/HST and Quebec will **not** be a participating province for GST/HST purposes. This is particularly relevant when applying the place of supply rules.

## Change in administration

Effective January 1, 2013, the CRA will administer the amended QST and GST/HST for all selected listed financial institutions (SLFIs) as well as listed financial institutions that would be SLFIs if Quebec

**Online services built for businesses:** Submit online account-related enquiries; view account information, endorsements, notices, statements and responses to your enquiries submitted online; adjust a GST/HST return; and, do other online transactions, go to: [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative or employee; or [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), if you are the business owner.

**GST/HST NETFILE:** Faster processing and refunds, immediate confirmation of receipt, and no postal costs. Go to [www.cra.gc.ca/gsthst-netfile](http://www.cra.gc.ca/gsthst-netfile) or through [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative or employee; or [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), if you are the business owner.

La version française de la présente publication est intitulée *Nouvelles sur l'accise et la TPS/TVH*.



Canada Revenue  
Agency

Agence du revenu  
du Canada

Canada



were a participating province for GST/HST purposes. Currently, the GST/HST in respect of SLFIs located in Quebec is administered by the Government of Quebec on behalf of the Government of Canada.

## **Government purchases**

Currently, neither the Governments of Canada and Quebec nor their departments and agencies, pay each other's sales taxes. However, beginning April 1, 2013, all federal and Quebec provincial government organizations will begin to pay the QST and the GST/HST, where applicable, on all goods and services that they purchase.

## **More information**

In the coming months the CRA will be publishing more information on the change in administration of the QST for certain listed financial institutions on the CRA Web site. Check "What's new" for technical publications at [www.cra.gc.ca/whatsnew](http://www.cra.gc.ca/whatsnew). Or visit the Revenu Quebec, businesses consumption taxes Web site "*Changes to the QST System in 2013*" for more information.

## **Prince Edward Island and the HST**

On April 18, 2012, the Government of Prince Edward Island (PEI) proposed a harmonized sales tax (HST) that would come into effect on April 1, 2013. The HST in PEI would be administered by the CRA.

On November 8, 2012, the Government of PEI published a News Release announcing the publication of technical documents with general descriptions of transitional rules relating to the implementation of HST in PEI.

The CRA will soon be publishing notices containing questions and answers that further explain the transitional rules for personal property and services, and housing and other real property situated in PEI.

## **Reminder for organizations that have been determined or designated as municipalities and organizations that have been designated as hospital authorities that subsequently amalgamate, merge or consolidate**

### **Public service body rebates and changes to your GST/HST accounts**

Organizations that have been designated or determined to be municipalities and organizations that have been designated to be hospital authorities must notify the Excise and GST/HST Rulings Directorate of the CRA when there are changes in their organizational structure in order to ensure the continued payment of their public service body rebates. Failure to do so could result in delayed rebate payments and in some cases, reassessments of rebates.

These types of organizations include non-profit organizations, charities, housing cooperatives and water haulers that have been designated to be municipalities because they provide municipal services, as well as organizations such as public libraries, waste management bodies and volunteer fire-fighting organizations that have been determined to be municipalities. These types of organizations also include hospitals, health authorities and health boards that have been designated to be hospital authorities because they operate public hospitals.

Organizational changes that involve the creation of a new organization, such as an amalgamation or merger with another organization or an unincorporated organization becoming incorporated, have various

consequences. The newly formed organization is generally treated for GST/HST purposes as a separate person from any of the former organizations, subject to certain exceptions.

The former organizations generally have to cancel their GST/HST accounts and file their returns up to the day before the date of amalgamation, merger or incorporation. Any branch or division accounts must also be cancelled under their old Business Numbers (BNs). More information is available in GST/HST Memorandum 2.7, *Cancellation of Registration*.

If the new organization makes taxable supplies of property or services in Canada, it must register for the GST/HST, unless it is a small supplier, and will typically be given a new BN. The new organization may also apply for new branch or division accounts under the new organization's BN. In certain situations the CRA may permit a newly amalgamated organization to keep the BN of one of its former organizations.

For more information, see Booklet RC2, *The Business Number and Your Canada Revenue Agency Program Accounts*. To set up a BN, a GST/HST account, and any other account you may need such as a payroll deduction account) call **1-800-959-5525**, or send us a completed Form RC1, *Request for a Business Number (BN)*.

### **No automatic transfer of municipal or hospital authority status**

Regardless of whether the municipal designation or determination, or hospital authority designation granted to the former organization is officially revoked, this status will no longer be effective as of the date the former organization ceases to exist. Therefore, the new organization has to apply for a new municipal designation or determination or a new hospital authority designation in order to claim public service body rebates. Also note that the GST/HST exemptions for certain supplies made by municipalities and public institutions will generally not apply to the new organization unless it has been determined as a municipality or designated as a hospital authority.

For more information, please call GST/HST Rulings at 1-800-959-8287, or contact your GST/HST rulings office. A list of addresses for these offices can be found in Pamphlet RC4405, *GST/HST Rulings - Experts in GST/HST Legislation*.

### **GST/HST and registered charities**

Many organizations that are determined or designated to be municipalities, or designated to be hospital authorities for GST/HST purposes are also registered charities. In some cases, an organization may amalgamate or merge with a registered charity. In such cases, the organization must notify both the Excise and GST/HST Rulings Directorate and the Charities Directorate of the changes. Please note that the Charities Directorate does not deal with issues relating to the GST/HST. Registered charities can contact the Charities Directorate at 1-800-267-2384 or by Fax at 613-954-8037. The Charities Directorate Web pages are at [www.cra.gc.ca/charities](http://www.cra.gc.ca/charities). The mailing address is:

Charities Directorate  
Canada Revenue Agency  
Ottawa ON K1A 0L5

### **Elimination of the HST in British Columbia and enhanced British Columbia new housing rebates**

On October 10, 2012, SOR/2012-191, *Regulations Amending Various GST/HST Regulations, No.3* was published in the Canada Gazette. These regulations formalize and give legal effect to the transitional rules for the elimination of the HST in British Columbia (B.C.) and to the increases in the maximum amount of



the B.C. new housing rebates and new residential rental property rebates, which were announced on February 17, 2012.

These regulations also include other previously announced amendments to the regulations under the *Excise Tax Act* and implement two new HST place of supply rules and make technical amendments to certain GST/HST regulations.

Articles in the *Excise and GST/HST News* No. 84 and No. 85 also discussed the elimination of the HST in B.C.

The CRA recently published the following info sheets on enhancements to the existing B.C. new housing rebates and new residential rental property rebates. The enhanced rebates will generally come into effect for new housing on which the HST becomes payable on or after April 1, 2012 and before April 1, 2013.

- GST/HST Info Sheet GI-130, *Stated Price Net of the Enhanced British Columbia New Housing Rebate*
- GST/HST Info Sheet GI-129, *Harmonized Sales Tax: Proposed Enhancements to the British Columbia New Residential Rental Property Rebates*
- GST/HST Info Sheet GI-128, *Harmonized Sales Tax: Proposed Enhancements to the British Columbia New Housing Rebates*

New questions and answers regarding the transitional rules have been published in GST/HST NOTICE276, *Elimination of the HST in British Columbia in 2013 – Transitional Rules for Real Property Including New Housing*.

For more information regarding the elimination for the HST in B.C. please go to the Government of British Columbia Web site at [www.hstinbc.ca/](http://www.hstinbc.ca/).

## Bill C-45

On October 30, 2012, Bill C-45 received Second Reading in the House of Commons. Bill C-45, the *Jobs and Growth Act, 2012*, implements certain tax provisions announced in the *Economic Action Plan 2012*. Bill C-45 also includes tax measures to implement previously announced technical rules applicable to the financial services sector in respect of the GST/HST.

## Elimination of the penny

The Government of Canada announced in the *Economic Action Plan 2012* that it will remove the penny from Canada's coinage system. The Royal Canadian Mint will no longer dispense pennies beginning February 4, 2013. However, the penny will continue to be used in cash transactions indefinitely for businesses that choose to accept them.

Cash transactions where the penny is not available for use should generally be rounded up or down to the nearest five-cent increment in a fair and transparent manner after the calculation of the GST/HST. Rounding should be done according to the following table:

Price	Round down	Price	Round up
\$1.01 or \$1.02	\$1.00	\$1.03 or \$1.04	\$1.05
\$1.06 or \$1.07	\$1.05	\$1.08 or \$1.09	\$1.10



Non-cash payments such as cheques, gift certificates, credit and debit cards will not be subject to rounding. Examples of various transactions will be provided in a GST/HST info sheet to be published by the CRA later this fall.

## **The supply of a site in a trailer park where the site is occupied by a recreational unit**

The *Excise Tax Act* (the Act) exempts the supply of land (other than a site in a residential trailer park) made by way of lease, licence or similar arrangement for continuous possession or use of the land for at least one month to an owner, lessee or person in occupation or possession of a residential unit that is or is to be affixed to the land for the purpose of its use as a place of residence for individuals.

GST/HST Policy Statement P-104, *Supply of Land for Recreational Units such as Mini-homes, Park Model Trailers and Travel Trailers*, sets out policy guidelines to assist in determining whether the conditions stipulated in the Act may be met with respect to land occupied by a recreational unit. For GST/HST purposes, the determination of whether the supply of a site is an exempt supply depends upon whether the following three conditions are met:

1. the recreational unit meets the definition of “residential unit” for GST/HST purposes;
2. the unit is affixed to the land; and
3. the unit is affixed to the land for the purpose of its use and enjoyment as a place of residence for individuals.

For purposes of GST/HST Policy Statement P-104, a recreational unit may include a mini-home, park model trailer, travel trailer or similar unit that has residential attributes similar to those of a mobile home. It does not include a folding camping trailer known as a pop-up or tent trailer, a camper van, a truck camper, a motorhome, or similar unit or vehicle. In limited circumstances, a recreational unit may be considered a residential unit. Sufficient modifications must be made to a recreational unit to add the necessary residential characteristics, including permanence, to establish that it is a residential unit.

Whether a particular recreational unit has the same permanent residential characteristics as a house – such that it is considered to be a residential unit, is affixed to the land in a permanent manner and is used as a place of residence – is determined on a case-by-case basis.

Whether an affixed residential unit is used as a place of residence is a question of fact. Paragraphs 15 through 18 of GST/HST Memorandum 19.2, *Residential Real Property*, provide assistance in determining whether a residential unit is used as a place of residence of an individual.

A recreational unit that

- meets the definition of “residential unit” as that term is defined in the Act,
- is affixed to land in a permanent manner that is conducive to long-term residential use in the same manner as a house, and
- is used as a place of residence for individuals,

meets the conditions set out above and in such a case, the supply of land to which such a unit is affixed may be exempt for GST/HST purposes.

If you need assistance in determining whether the supply of particular land is exempt of GST/HST, please contact GST/HST Rulings at 1-800-959-8287. Information on the GST/HST Rulings program is published in Pamphlet RC4405, *GST/HST Rulings - Experts in GST/HST Legislation*.

## Lift chairs – zero-rated medical and assistive devices

The *Excise Tax Act* zero-rates certain medical and assistive devices supplied by way of sale or lease. Suppliers are not required to charge or collect the GST/HST on zero-rated supplies.

Some medical and assistive devices are zero-rated in their own right, such as supplies of artificial eyes or hearing aids while other devices are zero-rated only when certain conditions are met (e.g., when they are specially designed for use by an individual with a disability or when supplied on the written order of a specified professional such as a medical practitioner, registered nurse, physiotherapist or occupational therapist).

Lift chairs were designed to help people who have physical disabilities that make it difficult to sit down and rise up from chairs. The chairs feature electric motors that raise the chair to an elevated position for the purpose of assisting a user to sit down in the chair and also to help the user rise up from the chair.

The purchase or lease of a lift chair is zero-rated if the lift chair meets the following conditions:

1. the lift chair has all the features of a chair;
2. the lift chair is specially designed for use by an individual with a disability; and
3. the lift chair is supplied on the written order of a specified professional for use by a consumer named in the order.

Only lift chairs sold or leased to an individual for the personal use of the individual named in the written order qualify for zero-rating. Lift chairs sold or leased to a hospital, nursing home, long-term care facility or similar facility for use in activities of these facilities will not be zero-rated.

A GST/HST info sheet entitled *Application of the GST/HST to Lift Chairs* will be published shortly on the CRA Web site. This info sheet explains how the GST/HST applies to the sale and lease of lift chairs; to specially designed parts, accessories and attachments to lift chairs; and to services relating to installing, maintaining, restoring, repairing or modifying lift chairs.

## New stamping regime for tobacco products

On May 1, 2012, the CRA announced in a news release that, effective July 1, 2012, all cigarettes, tobacco sticks and fine-cut tobacco products for sale anywhere in the Canadian duty-paid market must carry the new federal excise stamp which indicates that federal excise duty has been paid and that the product was manufactured legally. No person shall sell, offer for sale, or possess these tobacco products unless they are stamped in accordance with the *Excise Act, 2001*. Any person who contravenes this requirement is liable to a fine, imprisonment, or both.

Since April 1, 2011, the new excise tobacco stamp has been mandatory on all new tobacco products destined for the Canadian duty-paid market. However, for a limited transition period following that date, tobacco products in the market place were still allowed to have the former tear-tapes or paper stamps until inventories of the older products were depleted.

As of July 1, 2012, the transition period ended and cigarettes, tobacco sticks, and fine-cut tobacco products for sale in the Canadian duty-paid market must carry the federal excise stamp to be legal. To accommodate the longer shelf life of cigars, the former tear-tapes or paper stamps may continue to appear for a limited period of time.

For more details on the excise stamp, go to [www.cra.gc.ca/stampingregime](http://www.cra.gc.ca/stampingregime).

## **Tobacco regulations**

The *Canada Gazette* has published the following two amended regulations relating to the *Excise Act, 2001*:

- SOR/2012-183, *Regulations Amending the Regulations Respecting Prescribed Brands of Manufactured Tobacco and Prescribed Cigarettes*
- SOR/2012-184, *Regulations Amending the Regulations Relieving Special Duty on Certain Tobacco Products*

## **What's new with GST/HST electronic filing?**

Several new services are now available for GST/HST return and rebate filers via the My Business Account portal. If you are not already enrolled, you can go to My Business Account to create a user ID and password. Your authorized representative or your employees can also access these services. Visit [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives) to find out how and to explore the following options:

### **Electronic filing of Form GST190, *GST/HST New Housing Rebate Application for Houses Purchased from a Builder***

GST/HST registered builders are now able to file type 1A and 1B new housing rebates via an online Web form when filing a return using GST/HST NETFILE or the “File a return” option in My Business Account. The new housing rebate form can also be filed separately using the “File a rebate” option in My Business Account.

### **Electronic filing of Form GST523-1, *Non-Profit Organizations - Government Funding***

Non-profit organizations are now able to file their annual government funding information electronically via My Business Account. The online Web form is available under the “File a rebate” option.

### **Electronic filing of Form GST74, *Election and Revocation of an Election to Use the Quick Method of Accounting***

The Quick Method of accounting election form has been added to the “File an election” option in My Business Account.

## **Enhancements to online enquiries service**

The CRA online account-related enquiries service in My Business Account is available for GST/HST accounts as well as excise duty (RD), excise tax (RE), excise tax on insurance premiums (RN), Air Travellers Security Charge (RG), and Softwood Lumber Products Export Charge (SL) accounts.

## **Make an online request**

There are several enhancements, including that representatives with a level 1 authorization can now request communication items online, representatives with a level 2 authorization can now stop the mailing of a GST/HST Return for Registrants package, and all representatives can view the status of an online enquiry.



## Change mailing instructions for GST/HST return filers

GST/HST registrants are now able to electronically request that the CRA stop mailing or resume mailing their *GST/HST Return for Registrants* package. The feature is available in My Business Account by selecting the "Change mailing instructions" option under "Enquiries service." This means you would no longer get a paper GST/HST return or an electronic filing information sheet and remittance voucher. If required, a printer-friendly version of the working copy of the GST/HST return is available from the CRA Web site at [www.cra.gc.ca/gsthstworkingcopy](http://www.cra.gc.ca/gsthstworkingcopy). For information on electronic payments, go to [www.cra.gc.ca/electronicpayments](http://www.cra.gc.ca/electronicpayments).

## View enquiry status

Since April 2012, businesses and representatives with a level 2 authorization have been asking us specific account-related questions about their tax account online by using the "Submit an enquiry" option and getting responses in writing electronically. For your convenience, you can now use the "View enquiry status" option to view the:

- status of the enquiry;
- original enquiry (by selecting the related reference number); and
- response, if available.

The CRA strives to provide a response to a submitted enquiry within 10 business days. To view our response, you can also use the "View correspondence" service.

To register and access the online "Enquiries service" or the "View correspondence" service, go to:

- [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount) if you are a business owner, or
- [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives) if you are an employee or a representative of a business.

## Prescribed rates of interest

The prescribed annual rate of interest in effect from October 1, 2012 to December 31, 2012, on overdue amounts payable to the Minister is 5%. The prescribed annual rate of interest on amounts owed by the Minister (i.e., rebates or refunds) is 1% for corporate taxpayers and 3% for non-corporate taxpayers. These rates are applicable to income tax, excise tax, the softwood lumber products export charge, GST/HST and the air travellers security charge (ATSC) and excise duty on wine, spirits and tobacco.

The prescribed annual rate of interest respecting excise duty on beer, on overdue amounts payable for the indicated period, is set at 3%. Refund interest rates are not applicable for amounts owed by the Minister (i.e., rebates or refunds) for excise duty that is in relation to beer.

PERIOD	GST/HST, Excise Tax, Softwood Lumber Products Export Charge, Excise Duty (wine, spirits, tobacco), Income Tax			Excise Duty (beer)
	REFUND INTEREST		ARREARS AND INSTALMENT INTEREST	ARREARS INTEREST
	Corporate Taxpayers	Non-Corporate Taxpayers		
October 1 to December 31, 2012	1%	3%	5%	3%
July 1 to September 30, 2012	1%	3%	5%	3%
April 1 to June 30, 2012	1%	3%	5%	3%
January 1 to March 31, 2012	1%	3%	5%	3%

Prescribed interest rates for previous years are available on the CRA Web site at [www.cra.gc.ca/interestrates](http://www.cra.gc.ca/interestrates).

## What's new in publications

The following is a list of new or revised excise and GST/HST forms and publications.

### **GST/HST forms**

GST20	<i>Election for GST/HST Reporting Period</i>
GST70	<i>Election or Revocation of an Election to Change a GST/HST Fiscal Year</i>
GST71	<i>Notification of Accounting Periods</i>
GST74	<i>Election and Revocation of an Election to Use the Quick Method of Accounting</i>
GST115	<i>GST/HST Rebate Application for Tour Packages</i>
GST190	<i>GST/HST New Housing Rebate Application for Houses Purchased from a Builder</i>
GST322	<i>Certificate of Government Funding</i>
GST386	<i>Rebate Application for Conventions</i>
RC366	<i>Direct Deposit Request - GST/HST, Payroll and/or Corporation Income Tax</i>
RC4601	<i>GST/HST Reporting Entity Election for a Selected Listed Financial Institution and Notice of Revocation</i>
RC4602	<i>Request for a Group GST/HST Registration Number for Selected Listed Financial Institutions with Consolidated Filing</i>
RC4602-1	<i>Request to be Added to a Group GST/HST Registration for Selected Listed Financial Institutions with Consolidated Filing</i>
RC4603	<i>GST/HST Tax Adjustment Transfer Election for a Selected Listed Financial Institution and Notice of Revocation</i>
RC4604	<i>GST/HST Consolidated Filing Election for a Selected Listed Financial Institution and Notice of Revocation</i>
RC4604-1	<i>Election for a Selected Listed Financial Institution to Join a GST/HST Consolidated Filing Election</i>
RC4604-2	<i>Election for a Selected Listed Financial Institution to Withdraw From a GST/HST Consolidated Filing Election</i>
RC4605	<i>Total Tax Recovery Rate Election and Revocation for a Selected Listed Financial Institution</i>
RC4606	<i>Election or Revocation for a Qualifying Small Investment Plan to be Treated as a Selected Listed Financial Institution</i>
RC4607	<i>GST/HST Pension Entity Rebate Application and Election</i>
RC4609	<i>Election or Revocation of Election to Use the Real-Time Calculation Method or the Reconciliation Method</i>
RC4610	<i>Election to have Subsection 225.4(3), (4) or (5) Not Apply to Non-Resident Investments in Certain Selected Listed Financial Institutions and Notice of Revocation</i>

### **GST/HST guides**

RC4034	<i>GST/HST Public Service Bodies' Rebate</i>
RC4082	<i>GST/HST Information for Charities</i>
RC4160	<i>Rebate for Tour Packages, Foreign Conventions, and Non-Resident Exhibitor Purchases</i>

### **GST/HST info sheets**

GI-127	<i>Documentary Evidence when Making Tax-Relieved Sales to Indians and Indian Bands over the Telephone, Internet and Other Electronic Means</i>
GI-128	<i>Harmonized Sales Tax: Proposed Enhancements to the British Columbia New Housing Rebates</i>
GI-129	<i>Harmonized Sales Tax: Proposed Enhancements to the British Columbia New Residential Rental Property Rebates</i>
GI-130	<i>Stated Price Net of the Enhanced British Columbia New Housing Rebate</i>

## **GST/HST memoranda**

8-4	<i>Documentary Requirements for Claiming Input Tax Credits</i>
14-5	<i>Election for Nil Consideration</i>

## **GST/HST notices**

NOTICE264	<i>Sales Made to Indians and Documentary Evidence - Temporary Confirmation of Registration Document</i>
NOTICE276	<i>Elimination of the HST in British Columbia in 2013 – Transitional Rules for Real Property Including New Housing</i>
NOTICE277	<i>The Nekaneet First Nation Implements the First Nations Goods and Services Tax</i>

## **Excise duty forms**

E146	<i>Amended Plans and Specifications</i>
------	---

## **Excise duty memoranda**

EDM1-1-1	<i>The Excise Duty Program (revised)</i>
EDM10-1-9	<i>Completing an Excise Duty Return - Tobacco Dealer (revised)</i>
EDM10-3-1	<i>Refunds (revised)</i>

## **Softwood lumber products export charge notices**

\$WLN43	<i>Surge Charge – Alberta Region (July 2012)</i>
---------	--

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at [www.cra.gc.ca/gsthstech](http://www.cra.gc.ca/gsthstech), at [www.cra.gc.ca/etsl](http://www.cra.gc.ca/etsl), and at [www.cra.gc.ca/exciseduty](http://www.cra.gc.ca/exciseduty). To receive email notification as soon as a document is published on the CRA Web site, go to the electronic mailing lists page at [www.cra.gc.ca/lists](http://www.cra.gc.ca/lists) and subscribe to the RSS feed for all new CRA publications and forms, or subscribe to any number of mailing lists for different types of publications.



## Enquiries

**For online access to business accounts, such as view up-to-date account balances and transactions, transfer payments, and more**

for your GST/HST, softwood lumber products export charge, air travellers security charge as well as excise taxes and duty accounts, go to:

- [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative or employee; or
- [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), if you are the business owner.

**For technical help while using our online services for:**

- business accounts, call 1-877-322-7849
- teletypewriter users, call 1-888-768-0951
- calls outside of Canada and the United States, call collect 709-772-8371

Please have the screen number (bottom right); and if applicable, the error number and message received on hand when calling.

**For general information and to make enquiries regarding your account** (except for softwood lumber products export charge accounts), call Business Enquiries at 1-800-959-5525.

**For enquiries regarding your softwood lumber products export charge account**, call 1-800-935-0313.

**To make enquiries regarding the status of specific GST/HST domestic rebate claims**, call 1-800-565-9353.

**For GST/HST technical enquiries** call GST/HST Rulings at 1-800-959-8287.

**For online access to your personal income tax and benefit account** where you can authorize your representative; track your refund; change your return, address, or telephone numbers; view tax information slips and your RRSP limit; or check your benefit and credit payments, go to: [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), or [www.cra.gc.ca/myaccount](http://www.cra.gc.ca/myaccount).

### Forms and publications

To access forms and publications online go to [www.cra.gc.ca/orderforms](http://www.cra.gc.ca/orderforms).

To order forms and publications by telephone call 1-800-959-2221.

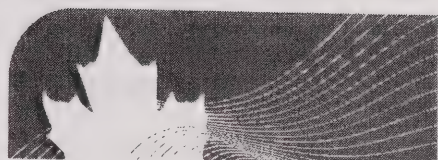
### Are you a GST/HST registrant located in Quebec?

To make an enquiry or obtain information on the GST/HST, contact Revenu Québec at 1-800-567-4692 or visit their Web site at [www.revenuquebec.ca](http://www.revenuquebec.ca).

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), First Nations goods and services tax (FNGST) and First Nations tax (FNT), softwood lumber products export charge, air travellers security charge (ATSC) as well as excise taxes and duties. If you would like to receive a link to each new edition of the *Excise and GST/HST News* as it is published, subscribe to the electronic mailing list.

This publication is provided for information purposes only and does not replace the law, either enacted or proposed. Please note that any commentary in this newsletter regarding proposed measures should not be taken as a statement by the CRA that such measures will in fact be enacted into the law in their current form. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, ON K1A 0L5.





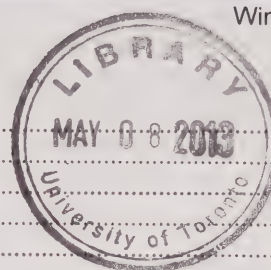
# Excise GST/HST News

No. 87

Winter 2013

## Table of Contents

Bill C-45 receives Royal Assent .....	1
Phasing out of the penny .....	2
Changes to the Quebec sales tax (QST) .....	2
Administrative tolerance regarding elections forms RC4530 and RC4531 .....	3
Supplies of taxable property and services to government entities .....	3
Quebec .....	4
P.E.I. ....	4
British Columbia .....	4
More information .....	4
Tax relief for Indians does not include the Métis, Inuit or Non-status Indians .....	5
Exemption for prescribed diagnostic, treatment or other health care services rendered to an individual .....	5
Independent contractors hired by medical laboratories .....	6
New login features for CRA's online services .....	7
How it works .....	7
Important facts about security .....	7
Make an online request – It's easy, fast, and secure .....	8
Prescribed rates of interest .....	8
What's new in publications .....	9
Enquiries .....	12



## Bill C-45 receives Royal Assent

Bill C-45, the *Jobs and Growth Act, 2012* received Royal Assent on December 14, 2012. Bill C-45, now referred to as Statutes of Canada 2012, c. 31, includes tax measures to implement previously announced technical rules applicable to the financial services sector in respect of the GST/HST.

For example, the amendments include rules that:

- allow listed financial institutions to revoke a reporting period election under section 246 or 247 of the *Excise Tax Act*;
- require certain selected listed financial institutions that are either an investment plan or a segregated fund of an insurer to have fiscal years that are calendar years;
- require group registration of certain selected listed financial institutions in particular situations;
- provide a “deemed resident rule” which applies to certain selected listed financial institutions that are either an investment plan or a segregated fund of an insurer and which requires them to treat, for certain GST/HST purposes, their units held by non-resident as being held by residents of Canada (but

**Online services built for businesses:** Submit online account-related enquiries; view account information, endorsements, notices, statements and responses to your enquiries submitted online; adjust a GST/HST return; and, do other online transactions, go to: [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative or employee; or [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), if you are the business owner.

**GST/HST NETFILE:** Faster processing and refunds, immediate confirmation of receipt, and no postal costs. Go to [www.cra.gc.ca/gsthst-netfile](http://www.cra.gc.ca/gsthst-netfile) or through [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative or employee; or [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), if you are the business owner.

La version française de la présente publication est intitulée *Nouvelles sur l'accise et la TPS/TVH*.



Canada Revenue  
Agency

Agence du revenu  
du Canada

Canada



---

not of a participating province), unless the financial institution makes an election for the rule not to apply;

- provide for changes to a rebate of the provincial part of the HST to certain listed financial institutions that are either an investment plan or a segregated fund of an insurer and that render services to clients that are outside the HST provinces;
- provide that investment plans and series of investment plans, which are created exclusively for investors resident in one province, may be required to self-assess the provincial part of the HST in respect of that province and may be entitled to a rebate of the provincial part of the HST; and
- confirm the authority under which certain GST/HST regulations relating to financial institutions are made.

Amendments to various GST/HST Regulations, including the *Selected Listed Financial Institutions Attribution Method (GST/HST) Regulations* will follow in the months ahead.

## Phasing out of the penny

The Government of Canada announced in the Economic Action Plan 2012 that it will be gradually phasing out the penny from Canada's coinage system. The Royal Canadian Mint has ceased dispensing pennies as of February 4, 2013. However, pennies will continue to be used in cash transactions indefinitely for businesses that choose to accept them.

For information on rounding guidelines, please see the CRA Web page for phasing out the penny. Also, for further details on cash transactions and the GST/HST, please see GST/HST Info Sheet GI-131, *Phasing Out of the Penny*.

## Changes to the Quebec sales tax (QST)

Quebec Bill no. 5 (2012, c. 28) *An Act to Amend the Act Respecting the Québec Sales Tax and Other Legislative Provisions* received assent on December 7, 2012.

This act amends various Quebec statutes pursuant to undertakings to change the QST to be consistent with the federal GST/HST effective January 1, 2013 with certain exceptions listed in the *Comprehensive Integrated Tax Coordination Agreement* entered into between the Government of Canada and the Government of Quebec in March 2012.

The changes included in Quebec Bill no. 5 are based on the federal legislative or regulatory provisions that have already received Royal Assent or been adopted prior to November 14, 2012. This means that proposed changes to the *Excise Tax Act* (the Act) or related regulations are not included. For example, the proposed changes to the Act and related regulations announced by the Finance Minister of Canada in the News Release 2011-009 of January 28, 2011 were not considered in drafting Bill no. 5. These changes will be introduced in the Quebec legislation as soon as possible after the federal legislation receives Royal Assent or adoption of the regulations, taking into account any technical modifications that may occur and would generally be applicable as of January 1, 2013. These proposed changes to the Act received Royal Assent on December 14, 2012. It is expected that the related amendments to various GST/HST regulations, including the *Selected Listed Financial Institutions Attribution Method (GST/HST) Regulations* will be adopted in the coming months.

It is important to note that the QST will remain a provincial tax separate from the GST/HST and Quebec will not be a participating province for GST/HST purposes.

---

As of January 1, 2013, the CRA administers the amended QST, on behalf of Revenu Québec, and the GST/HST for selected listed financial institutions (SLFIs) and listed financial institutions that would be SLFIs if Quebec were a participating province.

Information on changes in the administration of the GST/HST and the QST, including related questions and answers, is available on the CRA Web site. This information can be accessed by selecting the topic entitled, "GST/HST and QST – selected listed financial institutions" at the CRA GST/HST, Financial institutions Web page.

## **Administrative tolerance regarding elections forms RC4530 and RC4531**

Following harmonization with Ontario and British Columbia, with the introduction of recaptured input tax credits (RITCs), the CRA exercised administrative tolerance with respect to the new rules since they were new for everyone.

Enquiries have been made concerning retroactive filing of election form RC4530, *Election or Revocation of an Election to Use a Production Proxy to Report the Recapture of Input Tax Credits* and form RC4531, *Election or Revocation of an Election to use the Estimation and Reconciliation Method to Report the Recapture of Input Tax Credits*.

The CRA will consider allowing late filed RITC elections (Forms RC4530 and RC4531) for recapture periods **prior** to July 1, 2013, on a "case-by-case" basis, where the large business acted as if the election(s) were filed. However, administrative tolerance will **not** be exercised with respect to late filed RITC elections prior to July 1, 2013, in circumstances where:

- it is reasonable to conclude that the large business made the request to late file the election for retroactive tax planning purposes;
- adequate records do not exist to verify whether or not the request can be accepted; or
- it is reasonable to conclude that the large business made the request to late file the election because of their negligence or carelessness in complying with the provisions under the Act.

A reasonable amount of time has passed since the introduction of the RITC rules. Since the *New Harmonized Value-Added Tax System Regulations, No. 2* specify that the elections in question must be filed on or before a certain day, late-filed elections (Forms RC4530 & RC4531) for recapture periods commencing on and **after** July 1, 2013, will not be permitted.

For more information please consult the CRA's RITC Web page or call GST/HST rulings at 1-800-959-8287.

## **Supplies of taxable property and services to government entities**

In general, provincial and territorial governments are not required to pay the GST/HST. However, pursuant to the terms of various federal-provincial agreements the provincial and territorial governments (including all their departments and ministries and crown corporations, boards, commissions and agencies) of British Columbia, Ontario, Nova Scotia, New Brunswick, Prince Edward Island (P.E.I.), Newfoundland and Labrador, and Nunavut have agreed to pay GST/HST on their acquisition of taxable supplies.

All provinces and territories that have agreed to pay the GST/HST generally receive a government rebate for any GST/HST that they have paid.

---

Currently, the provincial and territorial governments (including all their departments and ministries and certain crown corporations, boards, commissions and agencies) of Quebec, Manitoba, Saskatchewan, Alberta, and the Northwest Territories and Yukon do not have to pay the GST/HST on their acquisition of taxable supplies where appropriate documentation is provided.

Suppliers will have the same entitlement to input tax credits regardless of the fact that tax has not been collected on taxable supplies made to these provinces or territories.

Exempt supplies made to provincial or territorial governments are subject to the normal GST/HST rules. No tax is charged on these supplies, and the supplier is not entitled to claim ITCs for the tax paid or payable on purchases used in making exempt supplies.

Please note that effective April 1, 2013, there will be important changes affecting the provincial governments of Quebec, P.E.I. and British Columbia.

### **Quebec**

Currently, the Governments of Canada and Quebec (including all their departments and ministries and certain crown corporations, boards, commissions and agencies) do not pay each other's sales taxes. However, beginning April 1, 2013, the Government of Canada will begin to pay the QST in addition to the GST/HST that it currently pays and the Government of Quebec will begin to pay the GST/HST in addition to the QST on taxable supplies that it purchases. Questions relating to the payment of the QST by Government of Quebec or Government of Canada entities should be referred to Revenu Québec.

### **P.E.I.**

Effective April 1, 2013, HST at the rate of 14% will apply to most goods and services that are currently subject to the GST in P.E.I. The Government of P.E.I. (including all its departments and ministries and crown corporations, boards, commissions and agencies) will continue to pay GST or HST, depending on the place of supply, on its purchase of taxable supplies.

Information on the transitional rules respecting the change from the GST to the HST in P.E.I. can be found on the "Changes to Harmonized Sales Tax" CRA Web page.

### **British Columbia**

Effective April 1, 2013, the HST in British Columbia will be replaced by the GST at the rate of 5% and the provincial sales tax (PST). The Government of British Columbia (including all its departments and ministries and crown corporations, boards, commissions and agencies) will continue to pay the GST or HST, depending on the place of supply, on its purchase of taxable supplies.

Information on the transitional rules respecting British Columbia's return to the GST can be found on the "Changes to Harmonized Sales Tax" CRA Web page.

### **More information**

More information about provincial government purchases is available in GST/HST Memorandum 18-2, *Provincial Governments* or you can call GST/HST rulings at 1-800-959-8287. Persons in Quebec may contact Revenu Québec at 1-800-567-4692.



---

## Tax relief for Indians does not include the Métis, Inuit or Non-status Indians

GST/HST Technical Information Bulletin, *GST/HST Administrative Policy – Application of the GST/HST to Indians* (B-039), summarizes the CRA’s policy concerning the treatment of supplies made to, or by, Indians, Indian bands and band-empowered entities under the GST/HST.

B-039 defines an Indian, an Indian band and a band-empowered entity as follows:

- An “Indian” is a person who is registered under the *Indian Act*. Such a person may be issued a Certificate of Indian Status card or a Temporary Confirmation of Registration Document each of which are issued by Aboriginal Affairs and Northern Development Canada. There are no other identification or membership cards that provide tax relief for individuals.
- An “Indian band”, for purposes of the GST/HST, includes both a band council and a tribal council.
- A “band-empowered entity” is a corporation, board, council, association, society, or other organization that is owned or controlled by a band, a tribal council, or a group of bands other than a tribal council.

Please note that Métis, Inuit, non-status Indians or Indian individuals from the United States are not included as Indians in the above definition and must pay any applicable GST/HST. The tax relief under B-039 for bands or band-empowered entities does not apply to entities that govern or represent the Métis or non-status Indians. Entities that represent Métis or non-status Indians are not bands or band-empowered entities under B-039.

## Exemption for prescribed diagnostic, treatment or other health care services rendered to an individual

A supply of a prescribed diagnostic, treatment or other health care service rendered to an individual is exempt from the GST/HST if it is made on the order of:

- (a) a medical practitioner, meaning a physician or dentist;
- (b) certain practitioners including chiropractors, psychologists, physiotherapists and midwives;
- (c) a registered nurse authorized under the laws of a province to order such a service if the order is made within a nurse-patient relationship (applies to supplies made after February 26, 2008); or
- (d) a person that is entitled under the laws of a province to practise the profession of pharmacy and is authorized under the laws of the province to order such a service, if the order is made within a pharmacist-patient relationship (applies to supplies made after March 29, 2012).

This exemption is limited to diagnostic, treatment or other health care services that are described in the *Health Care Services (GST/HST) Regulations*. Under these Regulations, a prescribed health care service is a laboratory, radiological or other diagnostic service generally available in a health care facility including the administration of drugs, biologicals (such as vaccines, blood and plasma derivatives), or related preparations provided in conjunction with these diagnostic services.

The phrase “laboratory, radiological or other diagnostic services generally available in a health care facility” in the Regulations means a test, study or investigative and analytical procedure, together with the interpretation of the results and the report of findings, that is of the type generally available in a health care facility such as a public hospital and that is used to assist in the detection and determination of the cause of a disease. These services include laboratory diagnostic services such as in vitro diagnostic testing, serological testing, urinalysis, and microscopic analysis; radiology and other diagnostic imaging

---

services such as X-ray, CT scans, MRI, mammography and ultrasound, and diagnostic services such as fluoroscopy, echocardiography, electrocardiography, and electromyography. A diagnostic service for purposes of the Regulations does not include certain tests that may be performed in a medical laboratory such as paternity testing and drug and alcohol testing that are not performed for the purposes of diagnosis.

This exemption generally applies to services of private medical laboratories that are equipped for diagnostic services, including the collection and handling of specimens and other data, analysing specimens or data and providing reports to the persons noted above to assist them in the care of their patients.

A diagnostic service includes both technical and professional components which may include:

- providing the premises, equipment, supplies and personnel for all elements of the technical and professional components;
- preparing the patient for the diagnostic service;
- performing the test, study or analytical procedure, including any clinical procedure associated with the diagnostic service;
- providing clinical supervision, including approving, modifying and intervening in the performance of the test, study or analytical procedure and quality control of all elements of the procedure;
- monitoring and intervening if necessary after the test, study or analytical procedure;
- preparing and providing records of the results of the test, study, or analytical procedure to a medical practitioner or other health care professional noted above;
- interpreting the results of the test, study or analytical procedure, which is generally performed by a medical practitioner; and
- preparing and transmitting a written, signed and dated report of the diagnostic service to the person who requested the diagnostic service on behalf of the patient.

**Exception:** A prescribed diagnostic treatment or other health care service rendered to an individual will not be exempt from the GST/HST if it is supplied for cosmetic purposes and not for medical or reconstructive purposes.

### ***Independent contractors hired by medical laboratories***

A medical laboratory may supply diagnostic services through its employees or through other individuals such as independent contractors (i.e., self-employed individuals) to perform part of the diagnostic service. For example, an independent contractor may be hired to take blood from an individual at his or her place of residence and return the blood to the medical laboratory, perform tests on the blood and provide the results of the test to the medical laboratory. The medical laboratory performs tests on the blood and writes up a report for the person who requested the diagnostic test on the individual.

Services supplied by the independent contractors to the medical laboratory are not exempt under this provision. These services are inputs acquired by the medical laboratory in the course of its supply of the diagnostic service. GST/HST will generally apply to the consideration paid by the medical laboratory for the services of the independent contractors.

---

#### **Example 1:**

A physician refers a patient with an undiagnosed sleep disorder for testing at a sleep clinic. The sleep clinic may be part of a public hospital or it may be a separate facility. The diagnostic service provided by the sleep clinic is made up of several elements. The patient completes a detailed questionnaire, discusses questions with the sleep-study coordinator, is hooked up to monitoring equipment and is monitored while sleeping by technicians of the clinic. Once the data has been obtained, a report is prepared and a staff physician at the clinic discusses the results with the patient. The results are also forwarded to the patient's physician who requested the test.

---



---

In some situations, the patient may attend the consultation and then leave with a portable monitoring device to use that night so that the sleep patterns may be recorded at home. After the patient returns the device to the sleep clinic, the data is interpreted, a report is generated by the sleep clinic and the results are discussed with the patient by a staff physician at the clinic with copies sent to the patient's physician.

The exemption from the GST/HST will apply in both situations as this is a diagnostic service that is generally provided by public hospitals and the service is rendered to an individual on the order of a physician. The service is exempt even if part of the test takes place outside the sleep clinic.

---

#### **Example 2:**

A nurse makes an order to a private laboratory for certain blood tests on a patient. The patient arrives at the laboratory where blood samples are taken, the requested tests are performed, the results are interpreted by a staff physician and a report is provided to the nurse. The diagnostic service rendered to the patient by the private laboratory on the order of the nurse is exempt from the GST/HST.

---

For more information on this exemption, please contact GST/HST Rulings at 1-800-959-8287.

## **New login features for CRA's online services**

As part of a Government of Canada initiative to continuously improve how it offers online services, the CRA is now offering a second login option. In addition to the CRA user ID and password, you may now also be able to use your online banking information to log-in to the CRA's My Account, My Business Account and Represent a Client online services. The new login option means that you will have one less username and password to remember.

This service is currently available for those who use online banking services with TD Bank Group, Scotiabank and BMO Financial Group.

### ***How it works***

When you go to the login pages for CRA's My Account, My Business Account and Represent a Client, you will find two options; Sign-in Partner Login and CRA Login. To log-in with your online banking information, select the "Sign-in Partner Login" button. You will be routed to the SecureKey Concierge service, where you simply select your financial institution and log in.

If this is your first time using your banking information at the CRA, you will be asked to identify yourself by providing some personal information. My Account and My Business Account users will be mailed a CRA security code that you must enter to complete your registration.

If you wish to continue to use your CRA user ID and password, select "CRA Login." To register for a CRA user ID and password click on the "Register" link.

### ***Important facts about security***

Regardless of how you log in, no personally identifiable information is communicated between the CRA, SecureKey and your financial institution. During this process, the CRA will not even know which financial institution you use, nor will your bank know that you came from the CRA Web site.

For more information about logging in using your banking information, or the registration process, go to [www.cra.gc.ca/loginservices](http://www.cra.gc.ca/loginservices).



---

## Make an online request – It's easy, fast, and secure

Representatives with a level 1 authorization can use the "Enquiries service" to make an online request for:

- copies of notices and statements;
- customized statements (for a timeframe of their choice); and
- additional remittance vouchers.

In most cases, the system processes the above requests within 24 hours.

Representatives with a level 2 authorization can continue to make an online request for the above listed items, and to:

- change mailing instructions (stop us from sending paper statements, remittance vouchers, envelopes, and/or the GST/HST Return for Registrants package);
- request an interest review;
- initiate a payment search; and
- transfer a credit.

Plus, representatives with a level 2 authorization can also **submit an enquiry** online to ask specific account-related questions about a GST/HST return, GST/HST rebate, and various excise returns, and receive a response electronically.

To access the online "Enquiries service," go to:

[www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives) if you are an employee or a representative of a business, or  
[www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount) if you are a business owner.

## Prescribed rates of interest

The prescribed annual rate of interest in effect from January 1, 2013 to March 31, 2013, on overdue amounts payable to the Minister is 5%. The prescribed annual rate of interest on amounts owed by the Minister (i.e., rebates or refunds) is 1% for corporate taxpayers and 3% for non-corporate taxpayers. These rates are applicable to income tax, excise tax, the softwood lumber products export charge, GST/HST and the air travellers security charge (ATSC) and excise duty on wine, spirits and tobacco.

The prescribed annual rate of interest respecting excise duty on beer, on overdue amounts payable for the indicated period, is set at 3%. Refund interest rates are not applicable for amounts owed by the Minister (i.e., rebates or refunds) for excise duty that is in relation to beer.

PERIOD	GST/HST, Excise Tax, Softwood Lumber Products Export Charge, Excise Duty (wine, spirits, tobacco), Income Tax		Excise Duty (beer)	
	REFUND INTEREST		ARREARS AND INSTALMENT INTEREST	ARREARS INTEREST
	Corporate Taxpayers	Non-Corporate Taxpayers		
January 1 to March 31, 2013	1%	3%	5%	3%
October 1 to December 31, 2012	1%	3%	5%	3%
July 1 to September 30, 2012	1%	3%	5%	3%
April 1 to June 30, 2012	1%	3%	5%	3%

Prescribed interest rates for previous years are available on the CRA Web site at [www.cra.gc.ca/interestrates](http://www.cra.gc.ca/interestrates).

## What's new in publications

The following is a list of new or revised excise and GST/HST forms and publications.

### GST/HST forms

GST74	<i>Election and Revocation of an Election to Use the Quick Method of Accounting</i>
GST116	<i>Application, Renewal, or Revocation of the Authorization for a Qualifying Institution to Use Particular Input Tax Credit Allocation Methods</i>
GST190	<i>GST/HST New Housing Rebate Application for Houses Purchased from a Builder</i>
RC1	<i>Request for a Business Number (BN)</i>
RC1A	<i>Business Number (BN) - GST/HST Account Information</i>
RC1C	<i>Business Number - Import/Export Account Information</i>

### GST/HST guides and pamphlets

RC2	<i>The Business Number and Your Canada Revenue Agency Program Accounts</i>
RC59	<i>Business Consent Form</i>
RC4058	<i>Quick Method of Accounting for GST/HST</i>

### GST/HST info sheets

GI-131	<i>Phasing Out of the Penny</i>
GI-132	<i>Elimination of the HST in British Columbia: Builder Information Requirements for the Transition Period</i>
GI-133	<i>Application of the GST/HST to Lift Chairs</i>
GI-134	<i>Insurance - Appraisals of Damage Caused to Property</i>

### GST/HST notices

NOTICE276	<i>Elimination of the HST in British Columbia in 2013 – Transitional Rules for Real Property Including New Housing (revised)</i>
NOTICE278	<i>Harmonized Sales Tax for Prince Edward Island – Questions and Answers on General Transitional Rules for Personal Property and Services</i>
NOTICE279	<i>Harmonized Sales Tax for Prince Edward Island (P.E.I.) – Questions and Answers on Transitional Rules for Housing and Other Real Property Situated in P.E.I.</i>
NOTICE280	<i>Section 172.1 Information Requirements</i>

---

NOTICE281    *Subsection 172.1(4) Election for Specified Pension Entity*

***GST/HST memoranda***

17-7            De Minimis Financial Institutions

***Excise duty forms***

B256            Excise Act, 2001 Application for Refund/Deduction  
B264            Excise Duty Return - Special Excise Warehouse Licensee  
B271            *Excise Duty Return - Tobacco Dealer*



---

### ***Excise duty memoranda***

EDM1-1-5	Instrument Approval (revised)
EDM3-1-1	<i>Producers and Packagers of Spirits</i> (revised)
EDM7-1-4	<i>Duty Free Shop Operators</i> (revised)
EDM10-3-1	<i>Refunds</i> (revised)

### ***Softwood lumber products export charge notices***

SWLN44	<i>Surge Charge – Alberta Region (October 2012)</i>
--------	---

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at [www.cra.gc.ca/gsthsttech](http://www.cra.gc.ca/gsthsttech), at [www.cra.gc.ca/etsl](http://www.cra.gc.ca/etsl), and at [www.cra.gc.ca/exciseduty](http://www.cra.gc.ca/exciseduty).

To receive email notification as soon as a document is published on the CRA Web site, go to the electronic mailing lists page at [www.cra.gc.ca/lists](http://www.cra.gc.ca/lists) and subscribe to the RSS feed for all new CRA publications and forms, or subscribe to any number of mailing lists for different types of publications.

## Enquiries

For online access to your GST/HST, softwood lumber products export charge, air travellers security charge, excise tax and duty accounts, (such as viewing up-to-date account balances and transactions, transferring payments, and more) go to:

- [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative or employee; or
- [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), if you are the business owner.

### For technical help while using our online services:

- business accounts, call 1-877-322-7849
- teletypewriter users, call 1-888-768-0951
- calls outside of Canada and the United States, call 709-772-8371 collect

Please have the screen number (bottom right); and if applicable, the error number and message received on hand when calling.

For specific account-related enquiries, use the online "Enquiries service" on My Business Account. Select the "Submit an enquiry" option to send us your question and receive a response electronically.

For general information and to make enquiries regarding your account (except for softwood lumber products export charge accounts), call Business Enquiries at 1-800-959-5525.

For enquiries regarding your softwood lumber products export charge account, call 1-800-935-0313.

To make enquiries regarding the status of specific GST/HST domestic rebate claims, call 1-800-565-9353.

For GST/HST technical enquiries call GST/HST Rulings at 1-800-959-8287.

### Forms and publications

To access forms and publications online go to [www.cra.gc.ca/orderforms](http://www.cra.gc.ca/orderforms).

To order forms and publications by telephone call 1-800-959-2221.

### Are you a GST/HST registrant located in Quebec?

To make an enquiry or obtain information on the GST/HST, contact Revenu Québec at 1-800-567-4692 or visit their Web site at [www.revenuquebec.ca](http://www.revenuquebec.ca).

### Are you a selected listed financial institution located in Quebec?

For GST/HST account-related enquiries or for registration for a CRA business number, call Business Enquiries at 1-800-959-5525. For GST/HST technical enquiries, call GST/HST Rulings at 1-855-666-5166.

For QST account-related enquiries for reporting periods ending on or after January 1, 2013 or for registration for a CRA business number effective on or after January 1, 2013, call Business Enquiries at 1-800-959-5525. For technical enquiries related to the amended QST, call GST/HST Rulings at 1-855-666-5166.

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), First Nations goods and services tax (FNGST) and First Nations tax (FNT), softwood lumber products export charge, air travellers security charge (ATSC) as well as excise taxes and duties. If you would like to receive a link to each new edition of the *Excise and GST/HST News* as it is published, subscribe to the electronic mailing list.

This publication is provided for information purposes only and does not replace the law, either enacted or proposed. Please note that any commentary in this newsletter regarding proposed measures should not be taken as a statement by the CRA that such measures will in fact be enacted into the law in their current form. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, ON K1A 0L5.

## Table of Contents

Federal Budget 2013 .....	1
GST/HST .....	1
Excise duty .....	4
Regulations Amending Various GST/HST Regulations, No. 4 .....	4
Reminder – changes to harmonized sales tax in Prince Edward Island and British Columbia .....	4
Music programs .....	4
Matsqui First Nation implements First Nations goods and services tax .....	5
What's new with GST/HST electronic filing? .....	6
What's new with online services? .....	6
Direct deposit .....	6
Prescribed rates of interest .....	7
What's new in publications .....	7
Enquiries .....	11

## Federal Budget 2013

The Budget 2013, tabled by the Minister of Finance on March 21, 2013, includes several proposed measures relating to the GST/HST and excise duty. Legislation to implement certain of these measures, Bill C-60, the *Economic Action Plan 2013 Act, No 1*, received Second Reading in the House of Commons on May 7, 2013. This proposed legislation also confirms the Government's intention to proceed with previously announced tax measures including proposed changes to certain GST/HST rules relating to financial institutions. The following are highlights of these measures for GST/HST and excise duty purposes.

## GST/HST

### Health care services

Supplies of basic health care services and certain health-related assistive services are generally exempt from the GST/HST. Budget 2013 proposes amendments to expand the exemption for homemaker services to reflect current provincial and territorial practices for health-related assistive services delivered to persons in their homes.

### Home care services

Currently, publicly subsidized or funded homemaker services, such as cleaning, laundering, meal preparation and child care rendered to an individual who, due to age, infirmity or disability, requires

**Online services built for businesses:** Submit online account-related enquiries; view account information, endorsements, notices, statements and responses to your enquiries submitted online; adjust a GST/HST return; and, do other online transactions, go to: [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative or employee; or [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), if you are the business owner.

**GST/HST NETFILE:** Faster processing and refunds, immediate confirmation of receipt, and no postal costs. Go to [www.cra.gc.ca/gsthst-netfile](http://www.cra.gc.ca/gsthst-netfile) or through [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative or employee; or [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), if you are the business owner.

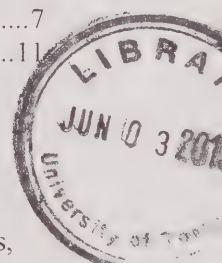
La version française de la présente publication est intitulée *Nouvelles sur l'accise et la TPS/TVH*.



Canada Revenue  
Agency

Agence du revenu  
du Canada

Canada





assistance in his or her home, are exempt from the GST/HST. This exemption does not cover personal care services such as bathing, feeding, and assistance with activities of daily living.

Effective for supplies made after March 21, 2013, the budget proposes to expand the exemption for homemaker services to include publicly subsidized or funded personal care services, rendered to an individual who, due to age, infirmity or disability requires such assistance at home. Accordingly, it is proposed that the definition of “homemaker service” be repealed and the new definition of “home care service” be added. The new definition will include personal care services such as bathing, feeding and assistance with dressing and taking medication as well as household services, such as cleaning, laundering, meal preparation and child care.

Where a service provider charges GST/HST on an exempt supply of a home care service made after March 21, 2013, the supplier may refund or credit the GST/HST to the purchaser. Alternatively, purchasers who have paid an amount as GST/HST on exempt supplies may claim a rebate of tax paid in error using Form GST189, *General Application for Rebate of GST/HST*. The Canada Revenue Agency (CRA) will not pay rebates in respect of claims for GST/HST paid on supplies of exempt home care services made after March 21, 2013 until after the proposed amendments receive Royal Assent.

### **Reports and services for non-health care purposes**

Supplies of basic health care services are generally exempt from the GST/HST. Services that are provided solely for non-health care purposes are not intended to be exempted as health care services, even if rendered by health care professionals.

Effective for supplies made after March 21, 2013, the budget proposes to clarify that the GST/HST applies to health care reports, examinations and other services that are not performed for the purpose of the protection, maintenance or restoration of the health of an individual or for palliative care. Such taxable supplies would include reports, examinations and other services performed solely for the purpose of determining liability in a court proceeding or under an insurance policy. Supplies of property and services in respect of a taxable supply of a report, examination or other service, such as charges for an x-ray or lab test in relation to a taxable examination, would also be taxable. Reports, examinations and other services paid for by a provincial or territorial health insurance plan will continue to be exempt.

It should be noted that Policy statement P-248, *The Application of the GST/HST to the Supply of an Independent Medical Examination (IME) and to Other Independent Assessments*, would be obsolete in respect of supplies made after March 21, 2013.

### **The Governor General and the GST/HST**

Currently, a supply of a property or a service that is for the use of the Governor General is zero-rated. The budget proposes that, effective July 1, 2013, such supplies will no longer be zero-rated. As a result, the Governor General and his office will pay the GST/HST on taxable purchases made on or after July 1, 2013, and will be able to recover the GST/HST paid on purchases for official use in the same manner as other federal government departments.

### **Business identification information**

Currently, basic business identification information is required to be provided at the time of GST/HST registration. This includes the legal and operating name of the business, type of ownership, ownership details, business activity and contact information.

Effective on the date of Royal Assent, the budget proposes that the Minister of National Revenue be given the discretionary authority to withhold the payment of GST/HST refunds to a person until all of the person's prescribed business identification information has been provided and is accurate. The refund hold will be applied in a fair and judicious manner.

## Pension plan rules

Currently, an employer that participates in a registered pension plan (a participating employer) is deemed to have made a taxable supply to the pension entity of the pension plan when it acquires, consumes or uses inputs in activities relating to the pension plan. These “deemed taxable supply rules” require the participating employer to account for deemed tax on inputs:

- acquired for supply to the pension entity;
- consumed or used in making supplies to the pension entity; and
- consumed or used (but not for supply) in the employer’s internal pension activities in respect of the pension plan (e.g., payroll employee’s time in respect of pension deductions).

In the first two circumstances, the employer also has to account for tax on actual supplies to the pension entity of those same resources. When this happens, the employer is allowed to make an adjustment to their net tax to ensure tax is remitted only once.

### Election to not account for GST/HST on actual taxable supplies

Effective for supplies made after March 21, 2013, the budget proposes to allow a participating employer of a pension plan and a pension entity of the pension plan to make a joint election to treat an actual taxable supply of property or a service by the employer to the pension entity as being made for no consideration where the employer accounts for and remits tax on the deemed supply of the property or service or on the consumption or use of inputs for the purpose of making the actual supply. This would eliminate the need for a tax adjustment. The election should be filed with the Minister of National Revenue on or before the first day of the employer’s fiscal year for which the election is to have effect or any later day that the Minister may allow. A determination of whether an election will be accepted late would be made on a case-by-case basis. To allow an employer to take immediate advantage of the new provision, an election that is filed after the first day of the employer’s fiscal year that includes March 21, 2013 would generally be accepted provided that (i) the employer was a participating employer on the first day of that fiscal year; (ii) the election is filed by the end of the 2013 calendar year; and (iii) the employer and pension entity acted after March 21, 2013 as if the election had been in place. The election would apply only to actual supplies made after March 21, 2013.

If the employer fails to remit tax on the deemed supplies for a particular fiscal year, the CRA would be able to:

- cancel the election effective from the beginning of the employer’s fiscal year; and
- assess the employer for both the actual tax and the deemed tax for that fiscal year, plus interest.

### Relief from accounting for tax on deemed taxable supplies

Effective for fiscal years of an employer beginning after March 21, 2013, the budget also proposes that:

- A participating employer of a pension plan would be fully relieved from applying the deemed taxable supply rules in respect of the pension plan for a fiscal year where:
  - an election with a pension entity of the pension plan to treat actual taxable supplies as being made for no consideration (discussed above) is not in effect for the employer; and
  - the amount of the GST (including the federal part of the HST) that the employer was (or would have been, but for this measure) required to account for and remit under the deemed supply rules in respect of the pension plan in its preceding fiscal year is both less than \$5,000 and less than 10% of the total net GST (including the federal part of the HST) paid by all pension entities of that pension plan in that preceding fiscal year.
- A participating employer not satisfying the above \$5,000 and 10% thresholds may be relieved from applying the deemed taxable supply rules to inputs acquired for consumption or use (but not supply) in its internal pension activities in respect of the pension plan. This relief would be available if the amount of the GST (including the federal part of the HST) that the employer was (or would have been, but for this measure) required to account for and remit for deemed supplies related to the



employer's internal pension activities in respect of the pension plan in its preceding fiscal year is below the \$5,000 and 10% thresholds. An employer that is entitled to relief under this provision would also be able to treat its actual taxable supplies as being for no consideration where the election, discussed above, is in effect.

These proposed amendments are included in Bill C-60, the *Economic Action Plan 2013 Act, No. 1*.

## **Excise duty**

### **Manufactured tobacco**

The federal budget 2013 proposes amendments to the *Excise Act, 2001* to increase the rates of excise duty and special duty on manufactured tobacco other than cigarettes and tobacco sticks. Certain fines and a penalty have also been changed to reflect the new rates. These rates took effect midnight March 21, 2013.

More detailed information and the proposed new rates are published in Excise Duty Notice EDN33, *Changes to Excise Duty Rates on Manufactured Tobacco*.

## **Regulations Amending Various GST/HST Regulations, No. 4**

The *Regulations Amending Various GST/HST Regulations, No. 4* were adopted on April 18, 2013 and were published in the *Canada Gazette* on May 8, 2013. These regulations include amendments to the *Selected Listed Financial Institutions Attribution Method (GST/HST) Regulations* and to other regulations relating to financial institutions, to implement the new rules for financial institutions outstanding from the introduction of the HST in Ontario and British Columbia. These regulations also implement rules for financial institutions related to the winding down of the HST in British Columbia.

## **Reminder – changes to harmonized sales tax in Prince Edward Island and British Columbia**

Effective April 1, 2013, Prince Edward Island (P.E.I.) has an HST. The HST rate in P.E.I. is 14% of which 5% represents the federal part and 9% the provincial part.

Effective April 1, 2013, the 12% HST, consisting of a 5% federal part and a 7% provincial part, no longer applies in British Columbia (B.C.). Instead, the GST at 5% and a provincial sales tax apply.

Please go to the CRA "Changes to the Harmonized Sales Tax (HST)" Web page for a complete list of technical publications on these changes for both B.C. and P.E.I.

## **Music programs**

A supply of a service of tutoring or instructing an individual in music lessons is exempt from the GST/HST. The CRA views a lesson as an activity designed to result in a progression or development of skills toward a pre-set lesson goal or objective. Music lessons involve formal instruction that develops skills in musical performance involving the use of the human voice or musical instruments, conducting an orchestra or musical composition.

Music lessons would not include instruction devoted to music-recording skills, music history or the teaching of techniques of music education. The fact that an activity involves music does not mean it is a supply of instruction in music or a music lesson. Activities involving music entertainment or appreciation and recreational courses that include an element of music (e.g. ballroom dancing, aerobics) would not be considered music lessons.



Whether a particular activity or program is a music lesson is a question of fact. The CRA has developed the following questions to help determine whether an activity or program is a music lesson for GST/HST purposes. These questions are not necessarily all-inclusive or of equal significance in each particular case.

- Does the supplier provide instruction in identifiable musical skills or concepts?
- Is the program delivered in a structured and sequential manner with defined goals or objectives?
- Are students required to complete an examination or assessment to determine the appropriate class placement or starting level of instruction?
- Does the instructor provide students with feedback regarding their progress? Or are there examinations to identify the students' progress during or upon completion of the program?
- Does the instructor possess any qualifications in music (e.g., a degree in music or other musical training)?
- Does the instructor use a recognized method of teaching music?
- Are the lessons designed to meet criteria specified by a governing body that lead to standardized assessment or certification by either the governing body or their authorized representatives?
- Does the program involve non-musical elements? If so, what proportion of the program schedule is devoted to instruction in music? Can the other elements be connected to musical concepts or methods of teaching music?
- What is the main purpose of the program? That is, is the program provided to teach musical skills, or for some other purpose such as recreation?
- How is the program advertised and promoted?

If a supplier provides multiple music programs, some of these programs may be considered music lessons for GST/HST purposes while others may not. For instance, some suppliers may provide different programs designed for participants in a particular age range. Each program must be considered separately.

### **Example**

A supplier offers a program for pre-school aged children and their parents. The program is advertised as a great way for families to spend time together and have fun. The program consists of singing, musical games, dancing, storytelling and play time. Although the program involves some musical elements, most of the program schedule is devoted to other activities. The main purpose of the program is to promote child development and socialization. This program would not qualify as a music lesson for GST/HST purposes. Therefore, the supplier must charge GST/HST on its supplies of the program.

## **Matsqui First Nation implements First Nations goods and services tax**

Starting May 21, 2013, the First Nations goods and services tax (FNGST) applies to supplies made on the lands of the Matsqui First Nation, excluding supplies made on the reserve (i.e., Pekw'xe:yles) that the Matsqui First Nation shares with other British Columbia First Nations.

Everyone, including Indians, pays the FNGST on goods and services acquired on the reserve lands of the Matsqui First Nation.

As the FNGST is designed to work within the GST/HST framework, no additional forms or changes to registration are required. Vendors simply apply the FNGST to their supplies of goods and services made on the reserves of the Matsqui First Nation in the same manner as the GST/HST.

### **Further information**

The CRA has published a notice regarding the implementation of the FNGST: NOTICE283, *The Matsqui First Nation Implements the First Nations Goods and Services Tax*. If you require additional information

on the FNGST, see Booklet RC4365, *First Nations Goods and Services Tax (FNGST)*, check the CRA Web site at [www.cra.gc.ca/aboriginalpeoples](http://www.cra.gc.ca/aboriginalpeoples) or contact the CRA at 1 800 959 5525.

## What's new with GST/HST electronic filing?

Effective April 8, 2013, several new services are available for GST/HST return filers:

### Electronic filing of Form GST106,

Form GST106, *Information on Claims Paid or Credited for Foreign Conventions and Tour Packages* can be filed through an online Web form when filing a GST34 return using GST/HST NETFILE or "File a return" in My Business Account and Represent a Client. Form GST106 can also be filed separately using "File a return" in My Business Account and Represent a Client.

### Reporting of BC transition tax and BC transition rebate

Schedule A of the GST34 return has been updated with new fields to report the BC transition tax and BC transition rebate. These new fields apply to builders of housing in British Columbia, as part of the province's return to the PST, and are accessible using GST/HST NETFILE and "File a return" in My Business Account and Represent a Client. For more information about the BC transition tax and BC transition rebate see GST/HST Info Sheet GI-156, *Elimination of the Harmonized Sales Tax in British Columbia: British Columbia Transition Tax on New Housing*, GST/HST Info Sheet GI-157, *Elimination of the Harmonized Sales Tax in British Columbia: British Columbia Transition Rebate for Builders of New Housing* and GST/HST Notice276, *Elimination of the HST in British Columbia in 2013 – Transitional Rules for Real Property Including New Housing*.

### Electronic filing requirements for persons in PEI

Certain persons in PEI are required to file their GST34 returns electronically for any reporting periods ending on or after April 1, 2013. For information on electronic filing, who is required to file their GST/HST returns electronically, and line by line instructions for completing the GST/HST NETFILE return, see GST/HST Info Sheet GI-099, *Builders and Electronic Filing Requirements* and GST/HST Info Sheet GI-118, *Builders and GST/HST NETFILE*. Schedule A of the GST34 return has been updated with new fields to report information for filers in PEI.

## What's new with online services?

### Register for online mail

You can now choose to receive notices of assessment and reassessment, and some letters online. When you register for this new service, the CRA will no longer print and mail correspondence items to you. Instead, you will receive an email to notify you that there is mail to view in your secure online business account.

Using the new online mail service is much faster and easier, compared to managing paper mail. Go to [My Business Account](http://My Business Account) at [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), and select "Manage online mail" from the left sidebar menu.

### View mail

We have renamed the "View correspondence" service to "View mail (correspondence)." You can view a notice of assessment, letter, or statement in "View mail" up to three years from the date of the item.

## Direct deposit

Instead of being sent a cheque for your refunds and rebates, enjoy the convenience of direct deposit.

Wherever your business takes you, make sure your CRA refunds and rebates can reach you. Asking for direct deposit means you will receive your money faster and it will be deposited directly into your account at a Canadian financial institution.

To sign up for direct deposit, fill out form RC366, *Direct Deposit Request for GST/HST, Payroll, and/or Corporation Income Tax*.

## Prescribed rates of interest

The prescribed annual rate of interest in effect from April 1, 2013, to June 30, 2013, on overdue amounts payable to the Minister is 5%. The prescribed annual rate of interest on amounts owed by the Minister (i.e., rebates or refunds) is 1% for corporate taxpayers and 3% for non-corporate taxpayers. These rates are applicable to income tax, excise tax, the softwood lumber products export charge, GST/HST and the air travellers security charge (ATSC) and excise duty on wine, spirits and tobacco.

The prescribed annual rate of interest respecting excise duty on beer, on overdue amounts payable for the indicated period, is set at 3%. Refund interest rates are not applicable for amounts owed by the Minister (i.e., rebates or refunds) for excise duty that is in relation to beer.

PERIOD	GST/HST, Excise Tax, Softwood Lumber Products Export Charge, Excise Duty (wine, spirits, tobacco), Income Tax, ATSC		Excise Duty (beer)	
	Corporate Taxpayers	Non-Corporate Taxpayers	ARREARS AND INSTALMENT INTEREST	ARREARS INTEREST
April 1 to June 30, 2013	1%	3%	5%	3%
January 1 to March 31, 2013	1%	3%	5%	3%
October 1 to December 31, 2012	1%	3%	5%	3%
July 1 to September 30, 2012	1%	3%	5%	3%

Prescribed interest rates for previous years are available on the CRA Web site at [www.cra.gc.ca/interestrates](http://www.cra.gc.ca/interestrates).

## What's new in publications

The following is a list of new or revised excise and GST/HST forms and publications.

### GST/HST forms

GST60	<i>GST/HST Return for Acquisition of Real Property</i>
GST66	<i>Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund</i>
GST71	<i>Notification of Accounting Periods for GST/HST</i>
GST115	<i>GST/HST Rebate Application for Tour Packages</i>
GST189	<i>General Application for Rebate of GST/HST</i>
GST190	<i>GST/HST New Housing Rebate Application for Houses Purchased from a Builder</i>
GST191	<i>GST/HST New Housing Rebate Application for Owner-Built Houses</i>
GST191-WS	<i>Construction Summary Worksheet</i>
GST192	<i>GST/HST Transitional Rebate Application for Builders of New Housing on Leased Land</i>
GST193	<i>GST/HST Transitional Rebate Application for Purchasers of New Housing</i>



GST370	<i>Employee and Partner GST/HST Rebate Application</i>
GST489	<i>Return for Self-Assessment of the Provincial Part of Harmonized Sales Tax (HST)</i>
GST495	<i>Rebate Application for Provincial Part of Harmonized Sales Tax (HST)</i>
GST515	<i>Direct Deposit Request for the GST/HST New Housing Rebate</i>
GST518	<i>GST/HST Specially Equipped Motor Vehicle Rebate Application</i>
GST524	<i>GST/HST New Residential Rental Property Rebate Application</i>
GST525	<i>Supplement to the New Residential Rental Property Rebate Application - Co-op and Multiple Units</i>
RC199	<i>Voluntary Disclosures Program (VDP) - Taxpayer Agreement</i>
RC376	<i>Taxpayer Relief Request Statement of Income and Expenses and Assets and Liabilities for Individuals</i>
RC4530	<i>Election or Revocation of an Election to Use a Production Proxy to Report the Recapture of Input Tax Credits</i>
RC4531	<i>Election or Revocation of an Election to Use the Estimation and Reconciliation Method to Report the Recapture of Input Tax Credits</i>
RC7000-BC	<i>British Columbia Provincial Sales Tax (PST) Transitional New Housing Rebate</i>
RC7000-PE	<i>Prince Edward Island Provincial Sales Tax Transitional New Housing Rebate</i>
RC7001-BC	<i>British Columbia Provincial Sales Tax (PST) Transitional New Housing Rebate - Residential Condominiums</i>
RC7001-PE	<i>Prince Edward Island Provincial Sales Tax Transitional New Housing Rebate - Residential Condominiums</i>
RC7002-BC	<i>British Columbia Provincial Sales Tax (PST) - Transitional New Housing Rebate - Apartment Buildings</i>
RC7002-PE	<i>Prince Edward Island Provincial Sales Tax Transitional New Housing Rebate - Apartment Buildings</i>
RC7003-BC	<i>British Columbia Provincial Sales Tax (PST) Transitional New Housing Rebate for Non-Registrant First Resellers</i>
RC7003-PE	<i>Prince Edward Island Provincial Sales Tax Transitional New Housing Rebate for Non-registrant First Resellers</i>
RC7004-BC	<i>British Columbia Transition Rebate</i>
RC7066-SCH	<i>Provincial Schedule - GST/HST Public Service Bodies' Rebate</i>
RC7190-BC	<i>GST190 British Columbia Rebate Schedule</i>
RC7190-WS	<i>GST190 Calculation Worksheet</i>
RC7191-BC	<i>GST191 British Columbia Rebate Schedule</i>
RC7191-ON	<i>GST191 Ontario Rebate Schedule</i>
RC7271	<i>Notification of Accounting Periods of a Selected Listed Financial Institution for GST/HST and QST</i>
RC7524-BC	<i>GST524 British Columbia Rebate Schedule</i>

### **GST/HST guides, booklets and pamphlets**

RC4022	<i>General Information for GST/HST Registrants</i>
RC4027	<i>Doing Business in Canada - GST/HST Information for Non-Residents</i>
RC4028	<i>GST/HST New Housing Rebate</i>
RC4033	<i>General Application for GST/HST Rebates</i>
RC4034	<i>GST/HST Public Service Bodies' Rebate</i>
RC4036	<i>GST/HST Information for the Travel and Convention Industry</i>
RC4049	<i>GST/HST Information for Municipalities</i>
RC4058	<i>Quick Method of Accounting for GST/HST</i>
RC4072	<i>First Nations Tax (FNT)</i>
RC4080	<i>GST/HST Information for Freight Carriers</i>
RC4081	<i>GST/HST Information for Non-Profit Organizations</i>
RC4082	<i>GST/HST Information for Charities</i>
RC4091	<i>GST/HST Rebate for Partners - Includes Form GST370</i>

RC4100	<i>Harmonized Sales Tax and the Provincial Motor Vehicle Tax</i>
RC4103	<i>GST/HST Information for Suppliers of Publications</i>
RC4125	<i>Basic GST/HST Information for Taxi and Limousine Drivers</i>
RC4160	<i>Rebate for Tour Packages, Foreign Conventions, and Non-Resident Exhibitor Purchases</i>
RC4231	<i>GST/HST New Residential Rental Property Rebate</i>
RC4247	<i>The Special Quick Method of Accounting for Public Service Bodies</i>
RC4365	<i>First Nations Goods and Services Tax (FNGST)</i>

## **GST/HST info sheets**

GI-095	<i>Harmonized Sales Tax: Information on the Transitional Tax Adjustment for Builders of Housing in Ontario and British Columbia (revised)</i>
GI-096	<i>Harmonized Sales Tax: Provincial Transitional New Housing Rebates for Housing in Ontario and British Columbia (revised)</i>
GI-099	<i>Builders and Electronic Filing Requirements (revised)</i>
GI-118	<i>Builders and GST/HST NETFILE (revised)</i>
GI-135	<i>Prince Edward Island: Transition to the Harmonized Sales Tax - Services</i>
GI-136	<i>Prince Edward Island: Transition to the Harmonized Sales Tax - Intangible Personal Property</i>
GI-137	<i>Prince Edward Island: Transition to the Harmonized Sales Tax - Memberships</i>
GI-138	<i>Prince Edward Island: Transition to the Harmonized Sales Tax - Passenger Transportation Services</i>
GI-139	<i>Prince Edward Island: Transition to the Harmonized Sales Tax - Admissions</i>
GI-140	<i>Prince Edward Island: Transition to the Harmonized Sales Tax - Freight Transportation Services</i>
GI-141	<i>Prince Edward Island: Transition to the Harmonized Sales Tax - Transportation Passes</i>
GI-142	<i>Prince Edward Island: Transition to the Harmonized Sales Tax - Prepaid Funeral and Cemetery Arrangements and Interment Property</i>
GI-143	<i>Prince Edward Island: Transition to the Harmonized Sales Tax - Tour Packages</i>
GI-144	<i>Harmonized Sales Tax: Purchasers of New Housing in Prince Edward Island</i>
GI-145	<i>Harmonized Sales Tax: Information on Owner-built Homes, Mobile Homes and Floating Homes in Prince Edward Island</i>
GI-146	<i>Harmonized Sales Tax: Information for Builders of New Housing in Prince Edward Island</i>
GI-147	<i>Harmonized Sales Tax: Stated Price Net of the GST/HST New Housing Rebate in Prince Edward Island</i>
GI-148	<i>Harmonized Sales Tax: Stated Price Net of GST/HST New Housing Rebate and the P.E.I. PST Transitional New Housing Rebate</i>
GI-149	<i>Harmonized Sales Tax: Information for Landlords of New Rental Housing in Prince Edward Island</i>
GI-150	<i>Harmonized Sales Tax: Information on the Transitional Tax Adjustment for Builders of Housing in Prince Edward Island</i>
GI-151	<i>Harmonized Sales Tax: Provincial Transitional New Housing Rebate for Housing in Prince Edward Island</i>
GI-152	<i>Harmonized Sales Tax: Assignment of Purchase and Sale Agreements for Grandparented Housing in Prince Edward Island</i>
GI-153	<i>Harmonized Sales Tax: Builder Disclosure Requirements in Prince Edward Island</i>
GI-154	<i>Prince Edward Island: Transition to the Harmonized Sales Tax – Payment of the GST/HST by Prince Edward Island Government Entities</i>
GI-155	<i>British Columbia: Transition to the Goods and Services Tax - Payment of the GST/HST by B.C. Government Entities</i>
GI-156	<i>Elimination of the Harmonized Sales Tax in British Columbia: British Columbia Transition Tax on New Housing</i>

GI-157	<i>Elimination of the Harmonized Sales Tax in British Columbia: British Columbia Transition Rebate for Builders of New Housing</i>
GI-158	<i>Payment of the GST/HST by Quebec Government Entities</i>
GI-159	<i>HST and First Nations in Prince Edward Island</i>
GI-160	<i>Prince Edward Island: Transition to the Harmonized Sales Tax - Goods</i>
GI-161	<i>Prince Edward Island: Transition to the Harmonized Sales Tax - Returns and Exchanges</i>
GI-162	<i>Prince Edward Island: Transition to the Harmonized Sales Tax - Continuous Supplies and Budget Payment Arrangements</i>
GI-163	<i>Harmonized Sales Tax: Leases of Real Property in Prince Edward Island</i>
GI-164	<i>Prince Edward Island: Transition to the Harmonized Sales Tax - Information for Non-registrant Builders</i>
GI-165	<i>Prince Edward Island: Transition to the Harmonized Sales Tax - Builders and Recaptured Input Tax Credits</i>

### **GST/HST notices**

NOTICE282	<i>Harmonized Sales Tax for Prince Edward Island - Questions and Answers that Relate to Public Service Bodies, Health and Education</i>
NOTICE283	<i>The Matsqui First Nation Implements the First Nations Goods and Services Tax</i>

### **GST/HST technical information bulletins**

B-107	<i>Investment Plans (Including Segregated Funds of an Insurer) and the HST (revised)</i>
-------	--

### **Excise forms**

B254	<i>Application for Refund of the Air Travellers Security Charge</i>
B270	<i>Excise Act 2001 - Excise Duty Return - Non-Licensee</i>
B284	<i>Election or Revocation of the Election for Semi-Annual Reporting</i>
N10	<i>Excise Act Application for Refund/Deduction</i>
N15	<i>Excise Tax Act - Application for Refund/Rebate</i>
XE8	<i>Application for Refund of Federal Excise Tax on Gasoline</i>

### **Excise notices**

EDBN18	<i>K50B Filing and Payment Schedules for Brewers (2013-2014)</i>
EDN33	<i>Changes to Excise Duty Rates on Manufactured Tobacco</i>
ETSL64	<i>Imposition of Excise Tax on Fuel-Inefficient Vehicles - Listing of Vehicles and Associated Tax Rates for 2013</i>

### **Softwood lumber products export charge notices**

SWLN45	<i>The Export Charge</i>
--------	--------------------------

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at [www.cra.gc.ca/gsthsttech](http://www.cra.gc.ca/gsthsttech), at [www.cra.gc.ca/etsl](http://www.cra.gc.ca/etsl), and at [www.cra.gc.ca/exciseduty](http://www.cra.gc.ca/exciseduty).

To receive email notification as soon as a document is published on the CRA Web site, go to the [electronic mailing lists](http://www.cra.gc.ca/lists) page at [www.cra.gc.ca/lists](http://www.cra.gc.ca/lists) and subscribe to the RSS feed for all new CRA publications and forms, or subscribe to any number of mailing lists for different types of publications.



## Enquiries

For online access to your GST/HST, softwood lumber products export charge, air travellers security charge, excise tax and duty accounts, (such as viewing up-to-date account balances and transactions, transferring payments, and more) go to:

- [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative or employee; or
- [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), if you are the business owner.

**For technical help while using our online services:**

- business accounts, call 1-877-322-7849
- teletypewriter users, call 1-888-768-0951
- calls outside of Canada and the United States, call 709-772-8371 collect

Please have the screen number (bottom right); and if applicable, the error number and message received on hand when calling.

**For specific account-related enquiries**, use the online "Enquiries service" on My Business Account. Select the "Submit an enquiry" option to send us your question and receive a response electronically.

**For general information and to make enquiries regarding your account** (except for softwood lumber products export charge accounts), call Business Enquiries at 1-800-959-5525.

**For enquiries regarding your softwood lumber products export charge account**, call 1-800-935-0313.

**To make enquiries regarding the status of specific GST/HST domestic rebate claims**, call 1-800-565-9353.

**For GST/HST technical enquiries** call GST/HST Rulings at 1-800-959-8287.

### Forms and publications

To access forms and publications online go to [www.cra.gc.ca/orderforms](http://www.cra.gc.ca/orderforms).

To order forms and publications by telephone call 1-800-959-2221.

### Are you a GST/HST registrant located in Quebec?

To make an enquiry or obtain information on the GST/HST, contact Revenu Québec at 1-800-567-4692 or visit their Web site at [www.revenuquebec.ca](http://www.revenuquebec.ca).

### Are you a selected listed financial institution located in Quebec?

For GST/HST account-related enquiries or for registration for a CRA business number, call Business Enquiries at 1-800-959-5525. For GST/HST technical enquiries, call GST/HST Rulings at 1-855-666-5166.

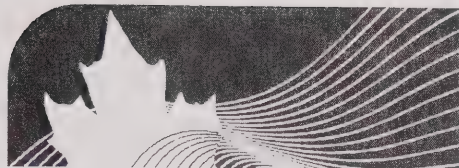
For QST account-related enquiries for reporting periods ending on or after January 1, 2013 or for registration for a CRA business number effective on or after January 1, 2013, call Business Enquiries at 1-800-959-5525. For technical enquiries related to the amended QST, call GST/HST Rulings at 1-855-666-5166.

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), First Nations goods and services tax (FNGST) and First Nations tax (FNT), softwood lumber products export charge, air travellers security charge (ATSC) as well as excise taxes and duties. If you would like to receive a link to each new edition of the *Excise and GST/HST News* as it is published, [subscribe to the electronic mailing list](#).

This publication is provided for information purposes only and does not replace the law, either enacted or proposed. Please note that any commentary in this newsletter regarding proposed measures should not be taken as a statement by the CRA that such measures will in fact be enacted into the law in their current form. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, ON K1A 0L5.



1  
2  
77



## Table of Contents

Bill C-60 and Bill C-48 receive Royal Assent .....	1
Draft legislative proposals for public comment .....	2
Medical and surgical prostheses .....	2
Supplies of nursing services versus a supply of nursing personnel .....	3
Application of the GST/HST to residential elevators .....	4
Time limits for claiming a public service bodies' rebate (PSB rebate) .....	5
Changes to original receipt requirements for GST/HST rebates .....	8
GST/HST rebates phone enquiries .....	8
Where is my GST/HST refund? .....	8
Prescribed rates of interest .....	9
What's new in publications .....	10
Enquiries .....	11

## Bill C-60 and Bill C-48 receive Royal Assent

Bill C-60, the *Economic Action Plan 2013 Act, No. 1*, received Royal Assent on June 26, 2013. Bill C-60, now referred to as Statutes of Canada 2013, c. 33, includes tax measures relating to healthcare services, business identification information, pension plan rules, ending the point-of-sale GST/HST relief for the Governor General, the judicial authorization process for imposing a requirement on a third party to provide information or documents related to unnamed person(s), and the excise duty rate applicable to manufactured tobacco other than cigarettes and tobacco sticks, as announced in the Budget of March 21, 2013. The Spring 2013 edition of the *Excise and GST/HST News*, No. 88 discusses these measures.

Bill C-48, the *Technical Tax Amendments Act, 2012*, also received Royal Assent on June 26, 2013. Bill C-48 is now referred to as Statutes of Canada 2013, c. 34. This act amends the *Income Tax Act*, the *Excise Tax Act*, the *Federal-Provincial Fiscal Arrangements Act*, the *First Nations Goods and Services Tax Act* and related legislation. The GST/HST measures are discussed in the Winter 2012 edition of the *Excise and GST/HST News*, No. 83.



**Online services built for businesses:** Submit online account-related enquiries; view account information, endorsements, notices, statements and responses to your enquiries submitted online; adjust a GST/HST return; and, do other online transactions, go to: [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative or employee; or [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), if you are the business owner.

**GST/HST NETFILE:** Faster processing and refunds, immediate confirmation of receipt, and no postal costs. Go to [www.cra.gc.ca/gsthst-netfile](http://www.cra.gc.ca/gsthst-netfile) or through [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative or employee; or [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), if you are the business owner.

La version française de la présente publication est intitulée *Nouvelles sur l'accise et la TPS/TVH*.



Canada Revenue  
Agency

Agence du revenu  
du Canada

Canada



## Draft legislative proposals for public comment

On July 12, 2013, the Department of Finance released, for public comment, a package of draft legislative proposals relating to a number of technical changes to the *Income Tax Act*, *Income Tax Regulations*, the *Excise Act, 2001* and Part IX of the *Excise Tax Act*.

The only legislative proposals in the package that relate to excise and GST/HST legislation deal with the circumstances under which government officials can provide to enforcement organizations confidential information that is believed to afford evidence of a serious crime (such as money laundering or financing of terrorism).

For more information, please go to the Department of Finance Web site at [www.fin.gc.ca](http://www.fin.gc.ca) or refer to the July 12, 2013 News Release, 2013-093 and the Legislative Proposals and Explanatory Notes .

## Medical and surgical prostheses

The Canada Revenue Agency (CRA) has recently been asked to outline its position with respect to what products constitute a medical or surgical prosthesis for purposes of section 25 of Part II of Schedule VI to the *Excise Tax Act* (the Act). Specifically, the CRA has been asked about the application of the GST/HST to the supply of products, such as bone void fillers and bone graft substitutes, which are surgically implanted into the body and are resorbed or remodelled by the body.

Bone allografts, void fillers, and bone graft substitutes are used to repair injuries and defects of the skeletal system. These products can be in the form of bone from a tissue donor, putty, paste or powder. In general terms, these products are used to replace damaged or missing bone or are used to encourage the growth of new bone. Once the material is accepted into the body it is converted (remodelled or resorbed) into new living bone and is incorporated into the body.

The Act zero-rates “a supply of a medical or surgical prosthesis, or an ileostomy, colostomy or urinary appliance or similar article that is designed to be worn by an individual.” The CRA considers a medical or surgical prosthesis to be an artificial device that permanently replaces a missing part of the body, corrects a physical deformity or malfunction, or supports a weak or deformed part of the body. This artificial device could be an externally worn device or an implanted device that is worn internally. In the CRA’s view, a device that is used to repair, restore, or regenerate bone or tissue while the individual is healing would not be a medical or surgical prosthesis for GST/HST purposes.

Products that are resorbed into the body, remodelled into new bone, or act as scaffolding as the new tissue or bone grows would not be prostheses for GST/HST purposes. These types of products perform their functions during the healing process and do not permanently replace a missing part of the body, correct a physical deformity or malfunction, or support a weak or deformed part of the body.

The same principle would apply to products, such as bovine pericardium, that are used in soft tissue repairs. Products that are absorbed into the body and ones that are left in the body but no longer support or replace the function of a body part would not be medical or surgical prostheses for GST/HST purposes.

Supplies made in Canada of products described above, which are not prostheses for GST/HST purposes, would generally be taxable at the applicable rate (5%, 13%, 14% or 15%, depending on the place of supply).

Section 26 of Part II of Schedule VI to the Act provides for zero-rating “a supply of an article or material, not including a cosmetic, for use by a user of, and necessary for the proper application and maintenance of, a prosthesis, appliance or similar article described in section 25.

In other words, to be zero-rated under section 26, the article or material must be for use by an individual who wears a device that is zero-rated under section 25, for the purpose of properly applying or maintaining that medical device. This could include an ostomy appliance belt, or deodorants and detergents for ileostomy and colostomy appliances.

Products which are used by medical practitioners are not considered to be for use by a user of a prosthesis and would not fall under the zero-rating provision in section 26. Therefore, section 26 would not apply to supplies of putties, pastes, bone allografts, void fillers, and other bone graft substitutes.

## **Supplies of nursing services versus a supply of nursing personnel**

This article discusses whether supplies made by placement agencies, service providers and nursing staff are supplies of a nursing service, or a supply of nursing personnel. This distinction is important because, unlike a supply of nursing services which may be exempt from GST/HST, a supply of personnel made by a placement agency is generally subject to the GST/HST at the rate of 5%, 13%, 14% or 15%, depending on the place of supply. As such, placement agencies, service providers and registered nurses must review their service contracts with hospitals, nursing homes, long-term care facilities, clinics and other customers to determine the nature of the supplies they make.

Under the Act, nursing services provided by registered nurses, registered nursing assistants, licensed or registered practical nurses, and registered psychiatric nurses are exempt from GST/HST if the service:

- is rendered by a registered or licensed nurse;
- falls within the scope of nursing services; and
- is rendered to an individual within a nurse-patient relationship.

The exemption applies to basic health care services rendered to individuals by a nurse within the scope of the profession of nursing, i.e., supportive, preventive, therapeutic, palliative and rehabilitative services using nursing knowledge and skills that are rendered to maintain health or prevent disease or treat an injury, illness or disability of an individual, or to provide palliative care. Examples of exempt nursing services include the diagnosis and treatment of health problems, performing interventions, administering medications, assessing an individual's nursing care needs, and preparing nursing care plans. Registered nurses may work in a wide variety of practice settings, and may be engaged in a variety of activities for which their particular knowledge and qualifications may be relevant.

The CRA interprets the phrase "rendered within a nurse-patient relationship" to mean nursing services that involve personal interaction between a nurse and an individual who is a patient of the nurse where there is an established or ongoing relationship between the nurse and the patient and the nurse is a direct care provider of the patient.

Although an activity may be characterized as a nursing service, it will not be an exempt supply under the Act's exempting provision as outlined above where it does not meet all of the criteria set out in the provision.

## ***Supply of nursing personnel***

Where a company supplies nurses to a facility such as a hospital or a long-term care facility, the company's supply must be analyzed separately from any supply made by the operator of the facility. While certain activities performed by a registered or licensed nurse provided to the facility may, in the context of the hospital-patient or facility-resident transaction, amount to a nursing service supplied by the operator of the facility to an individual and rendered within a nurse-patient relationship, this does not necessarily translate to a supply of a nursing service made by the company to the hospital or the long-term care facility.



The end use of a registered or licensed nurse by the clients of the company does not define the supply made by the company to its clients. Whether the company's supply of nurses to a facility such as a hospital or a long-term care facility is a nursing service depends on the facts, which would include the terms of the agreement between the parties and the degree of the company's responsibility to the patients or residents of the facility for the nursing care.

If the company's responsibility is limited to providing registered or licensed nurses to the facility so that the facility may satisfy its own staffing requirements and the nurses are subject to the control of the operator of the facility and render services under the direction of the facility in accordance with the facility's responsibility to provide care to a patient or resident of the facility, the company has made a taxable supply of personnel or human resources, and not a supply of exempt nursing services. In this situation, the company does not have any obligation to provide nursing services to the patients or residents to whom the services are rendered. Instead, the company has an obligation to supply staff who have certain qualifications and whose actions are an input to what may be a supply of nursing services made by the hospital or the long-term care facility to the individual.

However, if the company is responsible for the provision of nursing services to the patients or residents of the facility and is accountable for the quality of nursing care provided, the company may have made an exempt supply of a nursing service rendered by a registered or licensed nurse to an individual, where the service is provided within a nurse-patient relationship.

The CRA will be issuing a publication on nursing services in the near future.

## **Application of the GST/HST to residential elevators**

The CRA considers the purchase and installation of an elevator to be generally subject to the GST/HST. However, the CRA has been asked to outline its position on whether a residential elevator used by an individual in a wheelchair is a wheelchair lift or similar aid to locomotion that is specially designed to be operated by an individual with a disability for locomotion of the individual and therefore zero-rated (i.e. taxable at the rate of 0%) under section 14 of Part II of Schedule VI to the Act. In addition, the CRA has also been asked to outline its position on whether the installation of such a residential elevator is a zero-rated supply pursuant to section 34 of Part II of Schedule VI. This section zero-rates a supply of installing, maintaining, restoring, repairing or modifying a property that is a zero-rated supply included in Part II of Schedule VI.

While this matter is under review, the CRA has adopted an interim administrative position which applies until the review is completed. Pursuant to the CRA's interim administrative position, the supply of an elevator that is installed in the private residence of an individual for use by an individual in a wheelchair is a wheelchair lift or similar aid to locomotion that is specially designed to be operated by an individual with a disability for locomotion of the individual if the elevator is designed to accommodate an individual using a wheelchair and has some of the following features:

- the width of the platform is set to accommodate the turning radius of a wheelchair (unless it is a flow through elevator);
- accessibility to the operating control panel and call stations is adjusted for an individual in a wheelchair;
- the elevator contains:
  - appropriate handgrips or handrails for use by an individual in a wheelchair
  - anti-skid or similar flooring
  - key-controlled continuous pressure buttons



- flush mount door and floor frames are installed allowing for easy entry and exit from the cab;
- the clearance between the landing edge and the platform is appropriately set to prevent the wheelchair from getting caught;
- accordion doors are removed and light curtains or similar closure are installed;
- two to five levels are served; and
- the maximum capacity is 1000 pounds.

Each feature on its own is not sufficient to conclude the residential elevator is “specially designed”. However, although a residential elevator does not need to encompass all of the features listed above to be specially designed to be operated by an individual with a disability for locomotion of the individual, it must have sufficient features that distinguish it from an ordinary elevator for purposes of the zero-rating provision.

## ***Installation of a residential elevator***

Where the supply of a residential elevator is zero-rated for GST/HST purposes, only the installation of the residential elevator will be zero-rated under section 34 of Part II of Schedule VI and not services related to, or that accommodate the installation of the residential elevator.

For example, a service of installing a residential elevator does not include architectural services, delivery services, demolishing services, and construction and renovation services of the home, including services relating to renovating an area, e.g., a hallway or garage in the home to accommodate the elevator. However, the parts required for the installation of the elevator will be zero-rated for GST/HST purposes when supplied in conjunction with the installation service (e.g., a hoistway).

If a supplier collected and remitted the GST/HST on supplies that qualify for zero-rating under this interim administrative position, it may refund or credit the amounts collected as GST/HST to its customers in accordance with the requirements set out in the Act. Alternatively, customers may apply for a rebate from the CRA for tax paid in error within two years after the day the GST/HST was paid.

The supplier is required to maintain sufficient documentation to demonstrate that the elevator it has supplied for installation in a private residence contains the features outlined above to support the zero-rating of the supply. Similarly, persons who file tax paid in error rebate claims with the CRA for the GST/HST paid on residential elevators must provide sufficient documentation with the rebate claim to enable the CRA to verify that the residential elevator that is the subject of the claim contains some of the features listed above. No rebate will be payable for the GST/HST paid on residential elevators that do not meet these features.

Additional information on procedures for tax paid in error refunds and rebates can be found in GST/HST Memorandum 12.2 *Refund, Adjustment, or Credit of the GST/HST under Section 232 of the Excise Tax Act* and Guide RC4033, *General Application for GST/HST Rebates*.

## **Time limits for claiming a public service bodies' rebate (PSB rebate)**

Many public service bodies (PSBs) are eligible to claim a PSB rebate of a percentage of the GST and the federal part of the HST paid or payable on eligible purchases and expenses. Certain PSBs resident in a participating province may also be eligible for a PSB rebate of the provincial part of the HST. For more information, see Guide RC4034, *GST/HST Public Service Bodies' Rebate*.

The PSB rebate is calculated and claimed on a claim period by claim period basis. If a PSB is a GST/HST registrant, its claim periods are the same as the reporting periods for its GST/HST returns, that is annual,

quarterly or monthly. If a PSB is not a GST/HST registrant (a non-registrant), it has two claim periods per fiscal year – the first six months and the last six months of its fiscal year. To claim the PSB rebate, a PSB must file one Form GST66, *Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund*, or Form GST284, *Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund*, which is a personalized version of form GST66, for each claim period in which it is eligible for a PSB rebate.

A PSB is eligible for a PSB rebate if it is a charity, a qualifying non-profit organization (i.e., a non-profit organization that receives at least 40% government funding), or a selected public service body (i.e., a school authority, university, or public college that is established and operated other than for profit, a hospital authority, a facility operator, or an external supplier, a municipality, including determined and designated municipalities) on the last day of a claim period, or on the last day of the fiscal year that includes that claim period. Thus, a PSB could be eligible for a PSB rebate for some claim periods, but not others.

The PSB rebate calculation is based on the PSB's "non-creditable tax charged" for the claim period. Non-creditable tax charged for a claim period is generally equal to the total GST/HST that became payable during the claim period or that was paid during the claim period without having become payable, minus the following amounts:

- any input tax credits the PSB claimed or is entitled to claim for any of that GST/HST;
- any rebate, refund or remission of any of that GST/HST that it is reasonable to expect the PSB received or is entitled to receive; and
- any amount of that GST/HST that is refunded, credited or adjusted in the PSB's favour and for which it has either received a credit note from the supplier or has issued a debit note to the supplier.

Non-creditable tax charged for a particular claim period only includes GST/HST that was payable or that was paid without having become payable during that claim period. GST/HST payable in one period generally cannot be included in the non-creditable tax charged for a subsequent claim period. Therefore, a PSB can only claim a PSB rebate of an amount of GST/HST on the application (Form GST66 or Form GST284, *Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund*) for the claim period in which the GST/HST was paid or payable. If a PSB has not claimed PSB rebates for several claim periods, it should file a separate rebate application form for each claim period for which it is eligible to claim a rebate. The PSB should not consolidate rebates for multiple claim periods into one rebate application.

A GST/HST registrant has up to four years from the due date of its GST/HST return for the claim period to file a PSB rebate application. A non-registrant has up to four years from the last day of the claim period to file a PSB rebate application.

If a PSB has already claimed a PSB rebate for a claim period and subsequently discovers additional GST/HST that was paid or payable during that claim period, the PSB must adjust the previously filed rebate application to claim a PSB rebate for the additional GST/HST. The PSB cannot include the additional tax in the PSB rebate application for a different claim period. For more information on how to adjust a previously filed rebate claim, see "How do you make changes to a rebate application you already filed?" in Guide RC4034, *GST/HST Public Service Bodies' Rebate*. A reassessment or additional assessment of a rebate claim shall not normally be made more than four years after the day the application for the rebate was filed.



### **Example 1**

**A non-registrant charity pays GST/HST on eligible purchases and expenses throughout its fiscal year ending December 31, 2012.**

**Can the charity file one PSB rebate application that covers the whole fiscal year?**

As the charity is a non-registrant, it has two claim periods for each fiscal year – the first six months and the last six months of the fiscal year. The charity should file one rebate application for the claim period of January 1, 2012 to June 30, 2012, and another rebate application for the claim period of July 1, 2012 to December 31, 2012, based on the non-creditable tax charged for each respective claim period.

### **Example 2**

**A GST/HST registrant charity has monthly reporting periods for its GST/HST returns. The charity always files its PSB rebate application for a claim period with its GST/HST return for that period before the due date of the GST/HST return. In August 2013, the charity discovered an invoice dated April 24, 2013, showing \$1,500 in GST payable by the charity. The charity had not included the \$1,500 in its previous PSB rebate calculation.**

**Can the charity include the \$1,500 in its PSB rebate calculation for the claim period of August 1, 2013 to August 31, 2013?**

No. The \$1,500 in GST became payable during the monthly claim period of April 1, 2013 to April 30, 2013. Therefore, a PSB rebate in respect of that GST can only be claimed on the application for the claim period of April 1, 2013 to April 30, 2013. Since the charity had already filed its rebate application for this claim period, it should adjust the previously filed rebate application.

### **Example 3**

**In July 2013, a non-registrant organization was designated by the Minister to be a municipality in respect of certain designated activities. The effective date of the designation is July 1, 2009. The designated municipality has a fiscal year end of December 31.**

**How can the designated municipality claim a PSB rebate of the GST/HST paid or payable since July 1, 2009?**

As a non-registrant, the designated municipality has two claim periods per fiscal year – the first six months and the last six months of its fiscal year. The designated municipality has up to four years from the last day of the claim period to file a PSB rebate application in respect of that claim period. Therefore, the designated municipality must file its rebate application for the claim period of July 1, 2009 to December 31, 2009, by December 31, 2013. The designated municipality should file a separate rebate claim for each six month claim period.

If the designated municipality has already claimed a PSB rebate for a particular claim period as a charity or a qualifying non-profit organization for a claim period since July 1, 2009, the designated municipality should adjust its previously filed rebate application to claim a PSB rebate using the PSB rebate factor(s) of a municipality with respect to its designated activities.



#### **Example 4**

**A GST/HST registrant non-profit organization has quarterly reporting periods for its GST/HST returns. The non-profit organization determined that it was a qualifying non-profit organization during its fiscal year ending December 31, 2012. The non-profit organization had never filed a PSB rebate application.**

**Can the non-profit organization claim a PSB rebate of the GST/HST it paid on eligible purchases and expenses during the past four years?**

GST/HST that was paid or payable during a claim period when a PSB was not eligible for the PSB rebate cannot be carried forward to a claim period when the PSB is eligible for the PSB rebate. To claim a PSB rebate of GST/HST paid or payable during a past claim period, the non-profit organization must first determine whether it was a qualifying non-profit organization on the last day of the particular claim period or the last day of the fiscal year that includes that claim period. The qualifying non-profit organization should file a separate application for each quarterly claim period in which it was eligible for the PSB rebate.

### **Changes to original receipt requirements for GST/HST rebates**

In order to support red tape reduction initiatives and reduce the administrative burden on rebate applicants, the CRA no longer requires that applicants for any type of GST/HST rebate submit original supporting documentation with their claims. When documentation is required to support a rebate application, CRA will now accept photocopies, faxes, and CDs with scanned images of invoices, receipts, and other substantiating documents.

Applicants are required to retain the original documentation and any books, records, and invoices that pertain to this rebate for six years or, in the case of foreign nationals, for the time that they reside in Canada as their rebate may be subject to further review at a later date. We will not return any receipts or supporting documentation submitted with an application.

### **GST/HST rebates phone enquiries**

In order to provide more consistent service to Canadians and provide them with one point of contact for general business enquiries, effective September 30, 2013, the direct line to the Summerside Tax Centre will be turned off and all rebate enquiries will be directed to the Business Enquiries lines. If officers in the Summerside and Sudbury tax centres need to contact individuals or businesses in regards to a particular rebate claim, they will provide the contact with a direct toll free number to call back.

The numbers for Business Enquiries are:

1-800-959-5525 (English)  
1-800-959-7775 (French)  
1-613-940-8497 (from outside Canada and the U.S.)

### **Where is my GST/HST refund?**

Are you expecting a refund after you filed your goods and services tax/harmonized sales tax (GST/HST) return and wondering when you will receive it? If you are registered for My Business Account, it's quick and easy to find out information about your refund. Follow these two steps to verify the status of your return and determine when you can expect your refund.

**Step 1: View the status of your return.** Go to “View expected and filed returns” located under GST/HST on the My Business Account Welcome page. The GST/HST returns that we have received are displayed under the heading “Filed returns.” For processed returns, you can view the return status and the details of a specific return.

If the status of your return is **Received**, we have received your return but we are still processing it. We aim to process 95% of GST/HST returns within 30 calendar days. This may take longer in complex situations or if we select a return for additional review.

If the status of your return is **Assessed, Reassessed, or Processed, no notice**, we have finished processing your return. If the status of your return is **Assessed or Reassessed**, we will mail you a notice of assessment. If the status of your return is **Processed, no notice**, we will not mail you a notice of assessment.

**Step 2: View the account transactions.** Go to “Account balance and activities” located under GST/HST on the My Business Account Welcome page and select “Account Transactions” from the left sidebar menu.

Under “Account Transactions,” your return will display as **(Re)assessment** after it is processed. Generally, within the next seven calendar days, your refund will display as **Refund** with the date it was released. Your refund will be deposited directly into your bank account if you have signed up for direct deposit.

If you have an outstanding debt on any of your accounts, we can use your refund to reduce or eliminate the outstanding balance. If we use part or all of your refund to pay a balance owing, the transaction will be displayed as **Trsf. to** followed by the business number of the account the funds were transferred to.

If you have questions about your GST/HST refund, you can write to us electronically through My Business Account by going to “Enquiries service” located under GST/HST and selecting “Submit an enquiry.” You can also call us at 1-800-959-5525.

## Prescribed rates of interest

The prescribed annual rate of interest in effect from July 1, 2013, to September 30, 2013, on overdue amounts payable to the Minister is 5%. The prescribed annual rate of interest on amounts owed by the Minister (i.e., rebates or refunds) is 1% for corporate taxpayers and 3% for non-corporate taxpayers. These rates are applicable to income tax, excise tax, the softwood lumber products export charge, GST/HST and the air travellers security charge (ATSC) and excise duty on wine, spirits and tobacco.

The prescribed annual rate of interest respecting excise duty on beer, on overdue amounts payable for the indicated period, is set at 3%. Refund interest rates are not applicable for amounts owed by the Minister (i.e., rebates or refunds) for excise duty that is in relation to beer.

PERIOD	GST/HST, Excise Tax, Softwood Lumber Products Export Charge, Excise Duty (wine, spirits, tobacco), Income Tax, ATSC			Excise Duty (beer)
	REFUND INTEREST		ARREARS AND INSTALMENT INTEREST	ARREARS INTEREST
	Corporate Taxpayers	Non-Corporate Taxpayers		
July 1 to September 30, 2013	1%	3%	5%	3%
April 1 to June 30, 2013	1%	3%	5%	3%
January 1 to March 31, 2013	1%	3%	5%	3%
October 1 to December 31, 2012	1%	3%	5%	3%

Prescribed interest rates for previous years are available on the CRA Web site at [www.cra.gc.ca/interestrates](http://www.cra.gc.ca/interestrates).

## **What's new in publications**

The following is a list of new or revised excise and GST/HST forms and publications.

### ***GST/HST guides***

RC4028      *GST/HST New Housing Rebate*

### ***GST/HST forms***

GST74      *Election and Revocation of an Election to Use the Quick Method of Accounting*  
RC79      *Deposit Advice*  
RC325      *Address change request*

### ***Excise duty memoranda***

EDM1-5-1      *Rates of Excise Duty*  
EDM7-1-1      *Manufacturers of Tobacco Products*  
EDM7-1-2      *Tobacco Dealers*  
EDM10-1-1      *Returns and Payments*

### ***Excise taxes and special levies memoranda***

X3-1      *Goods Subject to Excise Tax*  
X3-2      *Liability for Tax*  
X6-2      *Returns and Payments (revised)*

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at [www.cra.gc.ca/gsthstech](http://www.cra.gc.ca/gsthstech), at [www.cra.gc.ca/etsl](http://www.cra.gc.ca/etsl), and at [www.cra.gc.ca/exciseduty](http://www.cra.gc.ca/exciseduty).

To receive email notification as soon as a document is published on the CRA Web site, go to the [electronic mailing lists](http://www.cra.gc.ca/lists) page at [www.cra.gc.ca/lists](http://www.cra.gc.ca/lists) and subscribe to the RSS feed for all new CRA publications and forms, or subscribe to any number of mailing lists for different types of publications.



## Enquiries

For online access to your GST/HST, softwood lumber products export charge, air travellers security charge, excise tax and duty accounts, (such as viewing up-to-date account balances and transactions, transferring payments, and more) go to:

- [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative or employee; or
- [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), if you are the business owner.

**For technical help while using our online services:**

- business accounts, call 1-877-322-7849
- teletypewriter users, call 1-888-768-0951
- calls outside of Canada and the United States, call collect 1-613-940-8528

Please have the screen number (bottom right); and if applicable, the error number and message received on hand when calling.

**For specific account-related enquiries**, use the online "Enquiries service" on My Business Account. Select the "Submit an enquiry" option to send us your question and receive a response electronically.

**For general information and to make enquiries regarding your account** (except for softwood lumber products export charge accounts), call Business Enquiries at 1-800-959-5525.

**For enquiries regarding your softwood lumber products export charge account**, call 1-800-935-0313.

**To make enquiries regarding the status of specific GST/HST domestic rebate claims**, call 1-800-565-9353 until September 30, 2013. Enquiries after this date should be directed to the Business Enquiries line at 1-800-959-5525.

**For GST/HST technical enquiries** call GST/HST Rulings at 1-800-959-8287.

### Forms and publications

To access forms and publications online go to [www.cra.gc.ca/forms](http://www.cra.gc.ca/forms).

To order forms and publications by telephone call 1-800-959-5525.

### Are you a GST/HST registrant located in Quebec?

To make an enquiry or obtain information on the GST/HST, contact Revenu Québec at 1-800-567-4692 or visit their Web site at [www.revenuquebec.ca](http://www.revenuquebec.ca).

### Are you a selected listed financial institution (including one located in Quebec)?

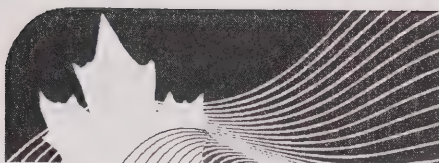
For GST/HST account-related enquiries or for registration for a CRA business number, call Business Enquiries at 1-800-959-5525. For GST/HST technical enquiries, call GST/HST Rulings at 1-855-666-5166.

For QST account-related enquiries for reporting periods ending on or after January 1, 2013 or for registration for a CRA business number effective on or after January 1, 2013, call Business Enquiries at 1-800-959-5525. For technical enquiries related to the amended QST, call GST/HST Rulings at 1-855-666-5166.

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), First Nations goods and services tax (FNGST) and First Nations tax (FNT), softwood lumber products export charge, air travellers security charge (ATSC) as well as excise taxes and duties. If you would like to receive a link to each new edition of the *Excise and GST/HST News* as it is published, [subscribe](#) to the [electronic mailing list](#).

This publication is provided for information purposes only and does not replace the law, either enacted or proposed. Please note that any commentary in this newsletter regarding proposed measures should not be taken as a statement by the CRA that such measures will in fact be enacted into the law in their current form. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, ON K1A 0L5.





# Excise GST/HST News

No. 90

Fall 2013

## Table of Contents

Bill C-4 .....	1
Line 101 of the GST/HST return (GST34-2).....	3
Third-party fundraising .....	4
Red tape reduction and CRA's online mail service .....	6
Electronic filing of combined GST/HST and QST returns (Form RC7200) .....	7
View elections online.....	7
View direct deposit transactions online .....	7
Prescribed rates of interest .....	8
What's new in publications.....	8
Enquiries .....	10

## Bill C-4

On October 29, 2013, Bill C-4, *A second act to implement certain provisions of the budget tabled in Parliament on March 21, 2013 and other measures*, known as *The Economic Action Plan 2013 Act, No.2*, received second reading in the House of Commons.

Bill C-4 implements the remaining tax measures from *Economic Action Plan 2013*, as well as certain previously announced tax measures.

Bill C-4 includes proposed amendments to the *Excise Tax Act* (the Act) relating to supplies of paid parking by certain public sector bodies and to electronic suppression of sales software.

## Supplies of paid parking made by certain public sector bodies

Amendments in Bill C-4 clarify that supplies of paid parking made by a public sector body would be taxable even if the body provides a significant amount of parking at no charge.

Currently, the legislation exempts supplies of property or services (excluding supplies of blood and blood derivatives) made by a public sector body if all or substantially all (90% or more) of the body's supplies of the property or service are made for no consideration. For purposes of this exemption, a public sector body means a municipality, university, public college, school authority, hospital authority, non-profit organization or government.

**Online services built for businesses:** Submit online account-related enquiries; view account information, endorsements, notices, statements and responses to your enquiries submitted online; adjust a GST/HST return; and do other online transactions, go to: [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative or employee; or [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), if you are the business owner.

**GST/HST NETFILE:** Faster processing and refunds, immediate confirmation of receipt, and no postal costs. Go to [www.cra.gc.ca/gsthst-netfile](http://www.cra.gc.ca/gsthst-netfile) or through [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative or employee; or [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), if you are the business owner.

La version française de la présente publication est intitulée *Nouvelles sur l'accise et la TPS/TVH*.

Canada Revenue  
Agency

Agence du revenu  
du Canada

Canada



Bill C-4, if enacted, would also exclude from this exemption the supply of a parking space if the supply is made for consideration by way of lease, licence or similar arrangement in the course of a business carried on by a public sector body.

If enacted, this amendment will be deemed to have come into force on December 17, 1990.

## **Electronic suppression of sales software**

Bill C-4 provides for new administrative monetary penalties and criminal offences in relation to electronic suppression of sales (ESS) software or devices that are, or are intended to be, capable of being used in relation to records that are required to be kept under section 286 of the Act. These new penalties are in addition to other penalties that may be assessed under the Act.

Bill C-4 proposes new definitions for the terms “electronic cash register” and “electronic suppression of sales device” for GST/HST purposes.

- “Electronic cash register” generally means an electronic device or computer system designed to record transaction data or any other electronic point-of-sale system.
- “Electronic suppression of sales device” (ESS device) generally means a software program that falsifies the records of electronic cash registers or a hidden programming option in an electronic cash register that may be used to create a virtual second till or to eliminate or manipulate transaction records in the electronic cash register.

## **Penalties and offences**

Bill C-4 proposes to impose a first time penalty of \$5,000 on every person that uses an ESS device or a similar device or software or that under circumstances attributable to neglect, carelessness or wilful default, participates in, assents to or acquiesces in the use of an ESS device or similar device or software. A first time penalty of \$5,000 is also proposed where a person acquires or possesses an ESS device or a right in respect of an ESS device. If a person has already been assessed a penalty in relation to an ESS device under the Act or the *Income Tax Act*, the penalty for any subsequent use, acquisition or possession by the person of an ESS device is \$50,000.

Bill C-4 also proposes to impose a penalty on every person that designs, develops, manufactures, sells, possesses for sale, offers for sale, transfers or otherwise makes available an ESS device or that supplies installation, upgrade or maintenance services for an ESS device.

- If it is the first penalty in relation to the manufacturing or making available of an ESS device imposed under the Act or the *Income Tax Act* and the person has not already been assessed a penalty in relation to an ESS device under either Act, the amount of the penalty is \$10,000.
- If it is the first penalty in relation to the manufacturing or making available of an ESS device, but another penalty in relation to the use, acquisition or possession of an ESS device has previously been assessed under the Act or the *Income Tax Act*, the amount of the penalty is \$50,000.
- If a penalty in relation to the manufacturing or making available of an ESS device has previously been assessed under the Act or the *Income Tax Act*, the amount of the penalty is \$100,000.

A person is not liable for the penalties that apply where the person acquires or possesses an ESS device, or manufactures or makes available an ESS device, if the person exercised the degree of care, diligence and skill that a reasonably prudent person would have exercised in comparable circumstances to prevent that action from occurring.

---

These amendments also set out new criminal offences punishable by fines or a prison sentence or both. For use, possession, acquisition, manufacture, development, sale, possession for sale, offer for sale or otherwise making available ESS software:

- on summary conviction, a fine of not less than \$10,000 and not more than \$500,000 or imprisonment for a term of not more than two years, or both is applicable; or
- on conviction by indictment, a fine of not less than \$50,000 and not more than \$1,000,000 or imprisonment for a term of not more than five years, or both is applicable.

These amendments come into force on the later of January 1, 2014 and the day of Royal Assent to the enacting legislation.

Please see the Department of Finance Canada September 13, 2013 news release (2013-117) for more information.

### **More information**

For more information, refer to the list of questions and answers regarding the electronic suppression of sales software sanctions found on the CRA website page “Budget 2013.”

## **Line 101 of the GST/HST return (GST34-2)**

It is mandatory to fill in line 101 (sales and other revenue) when you file a GST/HST return for registrants.

Registrants must include on line 101 the total amount of revenue that their business accrued for the reporting period for all supplies of goods and services, including zero-rated supplies and other revenue shown in their records. Line 101 does not include provincial sales tax, GST, HST or any amounts a registrant reported on a previous return.

In most circumstances, if you collected tax, you will also have an amount to report on line 101. If you had no business sales or other income for the reporting period you must still report \$0 on line 101.

### ***Regular method of accounting***

For registrants using the regular method of accounting for GST/HST, revenues from exempt supplies are required to be entered on line 101 along with revenues from taxable supplies, including zero-rated supplies, and other revenue for the reporting period.

Do not include the following on line 101:

- provincial sales tax; and
- GST, HST or any amounts reported on a previous return.

**Note:** Should the inclusion of exempt sales and services cause a change in reporting period, for example, from quarterly reporting periods to monthly reporting periods, the registrant should contact Business Enquiries at 1-800-959-5525 to correct the filing frequency.

### ***Net tax calculation for charities***

For registrant charities using the net tax calculation for charities, revenues from exempt supplies are required to be entered on line 101 along with revenues from taxable supplies, including zero-rated supplies, and other revenue for the reporting period.

---

Do not include the following on line 101:

- provincial sales tax; and
- GST, HST or any amounts reported on a previous return.

### ***Streamlined accounting quick method***

Registrants using the streamlined accounting quick method for GST/HST enter revenues from taxable supplies including the GST/HST on line 101 of their GST/HST returns for the reporting period.

For each reporting period, add your revenues from taxable supplies (include the GST/HST at the rate that applied at that time) and enter the total on line 101, rounded off to the nearest dollar.

Do not include the following on line 101:

- provincial sales tax;
- revenue from supplies that are not eligible for the quick method calculation; and
- revenues from supplies on which no GST/HST was charged (such as zero-rated supplies, exempt supplies, supplies made outside Canada, or goods and services sold to Indians or provincial or territorial governments that are relieved of paying the GST/HST).

### ***Special quick method of accounting for public service bodies***

Similar instructions discussed above apply for the special quick method of accounting for public service bodies.

Do not include the following on line 101:

- provincial sales tax; and
- revenue from supplies that are not eligible for the special quick method calculation.

### ***More information***

Instructions for completing the GST/HST return can be found in the Guide RC4022, *General Information for GST/HST Registrants*, RC4082, *GST/HST Information for Charities*, RC4058, *Quick Method of Accounting for GST/HST*, and RC4247, *The Special Quick Method of Accounting for Public Service Bodies*.

For more information about filing your GST/HST return, please see [how to file a GST/HST Return](#) on the CRA website.

## **Third-party fundraising**

This article discusses third-party fundraising for the benefit of a registered charity as defined under the *Income Tax Act*. In this article, the term “third-party fundraiser” refers to a person that is not a registered charity (and therefore neither a charity nor, in some circumstances, a public institution for GST/HST purposes), and that is operated for the sole purpose of raising funds which will be donated to a registered charity. The information in this article does not apply to fundraising conducted by a registered charity.

### ***GST/HST issues***

Generally, fundraising by its very nature is considered a profit activity. Organizations that are established



---

and operated for the sole purpose of raising funds are not considered non-profit organizations for GST/HST purposes, even if all the profit from a fundraising activity is donated to a registered charity. These organizations do not meet the “operated solely for a purpose other than profit” requirement in the definition of non-profit organization. For more information on the definition of “non-profit organization” for GST/HST purposes, see GST/HST Policy Statement P-215, *Determination of whether an entity is a “non-profit organization” for purpose of the Excise Tax Act (ETA)*.

A third-party fundraiser may make supplies of property or services in the course of a fundraising activity or event. Most supplies of property and services made in Canada are subject to the GST/HST, unless specifically exempt or zero-rated (taxed at the rate of 0%).

Supplies made by a third-party fundraiser will generally be taxable, even when the profits from the fundraising event will be donated to a registered charity.

Examples of taxable supplies that may be made by a third-party fundraiser include:

- admissions to a fundraising dinner or ball;
- tickets to professional performances (however, exempt from GST/HST are tickets to a performance, athletic, or competitive event at which 90% or more of the performers, athletes, or competitors are not paid directly or indirectly for their participation other than by government and municipal grants, and reasonable amounts as gifts, prizes, or compensation for travel or other incidental costs. The admissions will not be exempt if they are for events specifically advertised as featuring paid participants or for events at which professional athletes compete for cash prizes);
- entry in a golf tournament;
- promotional services provided to sponsors of a fundraising event;
- goods sold as part of a fundraising campaign (e.g., T-shirts, chocolate bars); and
- food and beverages sold at a concession stand during a fundraising event.

Where the third-party fundraiser is making a supply as agent of a charity, the supply will have the same tax status as if it were made by the charity directly. For more information on whether a person is acting as agent in making a transaction on behalf of another person for GST/HST purposes, see GST/HST Info Sheet GI-012, *Agents*.

If a third-party fundraiser is a GST/HST registrant, it must collect and remit GST/HST on its taxable supplies and may claim input tax credits for the GST/HST paid or payable on purchases related to these supplies.

A person must register for GST/HST purposes if it provides taxable supplies in Canada and is not a small supplier. Generally, a person is a small supplier if its total revenues from taxable supplies, including those of its associates, are \$30,000 or less (\$50,000 for public service bodies) in the last four consecutive calendar quarters or in any single calendar quarter. A third-party fundraiser is not a public service body; therefore, a third-party fundraiser is subject to the \$30,000 small supplier threshold. A small supplier engaged in a commercial activity in Canada can choose to register voluntarily.

### ***Income tax issues***

As previously mentioned, fundraising by its very nature is generally considered a profit activity. A third-party fundraiser will also not qualify as a non-profit organization as described in paragraph 149(1)(l) of the *Income Tax Act*, as it is not operated exclusively for a purpose other than profit. Therefore, a third-party fundraiser’s taxable income will generally not be exempt from income tax. The fact that a third-party fundraiser’s profits are earmarked for a worthwhile cause does not make it exempt from tax. This is

sometimes referred to as the destination of funds test. We note that this "destination of funds" test has been rejected on several occasions by the courts for both registered charities and non-profit organizations. For more information on the CRA's position with respect to paragraph 149(1)(l) of the *Income Tax Act*, see Interpretation Bulletin IT-496, *Non-Profit Organizations*.

A third-party fundraiser cannot issue official donation receipts for income tax purposes, even if some of the funds raised will ultimately be given to a registered charity. A registered charity can enroll a third-party organization or retain a fundraiser or other contractor as an agent to organize a fundraising event. However, the charity should maintain control over all monies that are earned as part of the event, and over the receipts that are issued for part of those monies. For more information, see CPC-026, *Third Party Fundraisers*.

An organization that meets the requirements for charitable registration can become a registered charity under the *Income Tax Act*. Registration offers advantages, such as exemption from income tax and the ability to issue official donation receipts, but also requires a charity to meet a number of corresponding obligations regarding the use of its resources. For more information, see CG-017, *General Requirements for Charitable Registration*.

---

### **Example**

A group of concerned citizens forms an association to raise money for charitable organizations in their community. Each year the association holds a golf tournament where the funds raised are donated to a registered charity. The association does not have any other activities. The association solicits sponsorships from local businesses, in exchange for which the association will place the businesses' logos on all tournament signage and on the tournament website. Does the association need to charge GST/HST on the funds received from sponsors and on the tournament entry fees? Is the association's taxable income exempt from income tax? Can the association issue official donation receipts?

The association is not a non-profit organization for GST/HST purposes as the association is not operated for a purpose other than profit. Likewise, the association does not meet the requirements in paragraph 149(1)(l) of the *Income Tax Act* and therefore, the association's taxable income is not exempt from income tax under this provision. The association is making taxable supplies of promotional services to the sponsors of the tournament. The association is also making taxable supplies of the right to play in the tournament. Therefore, if the association is a GST/HST registrant, it must collect and remit GST/HST on the sponsorship funds and the tournament entry fees. Finally, although the proceeds of the tournament are donated to a registered charity, the association itself is not a registered charity. As such, the association cannot issue official donation receipts, unless it applies for and receives registration as a charity.

---

## **Red tape reduction and CRA's online mail service**

On September 6, 2013, the Minister of National Revenue announced a new online mail service for Canadian businesses that will help streamline their interactions with the CRA. The new mail service, which is accessible through My Business Account, supports the CRA's commitment to reducing red tape for GST/HST registrants.

The CRA's online mail service is faster and easier than managing paper correspondence from the CRA. By signing up, Canadian businesses can receive their notices of assessment and reassessment, and some letters online for the accounts they select such as the corporation income tax and GST/HST accounts. Since the service saves time and reduces the volume of paper, it is a cost-effective way to do business.

---

To find out more about services for businesses, go to the CRA's one-stop shop for businesses: [www.cra.gc.ca/businessonline](http://www.cra.gc.ca/businessonline). To learn more about the CRA's commitment to red tape reduction, go to [www.cra.gc.ca/redtapereduction](http://www.cra.gc.ca/redtapereduction).

## **Electronic filing of combined GST/HST and QST returns (Form RC7200)**

Selected listed financial institutions with a permanent establishment in Quebec can now electronically file the equivalent of Form RC7200, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) and Québec Sales Tax (QST) Return for Selected Listed Financial Institutions*, using GST/HST NETFILE or the "File a return" option in My Business Account and Represent a Client.

### **View elections online**

You can now select the "View elections" service to see details of the following GST/HST elections (if applicable):

- GST20, *Election for GST/HST Reporting Period*
- GST70, *Election or Revocation of an Election to Change a GST/HST Fiscal Year*
- GST71, *Notification of Accounting Periods for GST/HST*
- GST74, *Election and Revocation of an Election to Use the Quick Method of Accounting*
- RC4530, *Election or Revocation of an Election to Use a Production Proxy to Report the Recapture of Input Tax Credits*
- RC4531, *Election or Revocation of an Election to Use the Estimation and Reconciliation Method to Report the Recapture of Input Tax Credits*
- RC7220, *Election for GST/HST and QST Reporting Period for a Selected Listed Financial Institution*
- RC7270, *Election or Revocation of an Election to Change a GST/HST and QST Fiscal Year for a Selected Listed Financial Institution*
- RC7271, *Notification of Accounting Periods of a Selected Listed Financial Institution for GST/HST and QST*

You can also file the GST20, GST70, GST71, GST74, RC7220, RC7270, and RC7271 by selecting the "File an election" service.

To access these online services, go to [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount) or [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives).

### **View direct deposit transactions online**

To help you reconcile your direct deposits with the information related to your CRA program accounts, you can now select the "View direct deposit transactions" service and a time period, and see the following information:

- the deposit date;
- the program account number;
- the filing period end date; and
- the CRA refund amount.



It can take up to 24 hours for refunds to display.

If you would like to take advantage of using direct deposit, go to [www.cra.gc.ca/dd-bus](http://www.cra.gc.ca/dd-bus).

## Prescribed rates of interest

The prescribed annual rate of interest in effect from October 1, 2013, to December 31, 2013, on overdue amounts payable to the Minister is 6%. The prescribed annual rate of interest on amounts owed by the Minister (i.e., rebates or refunds) is 2% for corporate taxpayers and 3% for non-corporate taxpayers. These rates are applicable to income tax, excise tax, the softwood lumber products export charge, GST/HST and the air travellers security charge (ATSC) and excise duty on wine, spirits and tobacco.

The prescribed annual rate of interest respecting excise duty on beer, on overdue amounts payable for the indicated period, is set at 4%. Refund interest rates are not applicable for amounts owed by the Minister (i.e., rebates or refunds) for excise duty that is in relation to beer.

PERIOD	GST/HST, Excise Tax, Softwood Lumber Products Export Charge, Excise Duty (wine, spirits, tobacco), Income Tax, ATSC		Excise Duty (beer)	
	REFUND INTEREST		ARREARS AND INSTALMENT INTEREST	ARREARS INTEREST
	Corporate Taxpayers	Non-Corporate Taxpayers		
October 1 to December 31, 2013	2%	4%	6%	4%
July 1 to September 30, 2013	1%	3%	5%	3%
April 1 to June 30, 2013	1%	3%	5%	3%
January 1 to March 31, 2013	1%	3%	5%	3%

Prescribed interest rates for previous years are available on the CRA website at [www.cra.gc.ca/interestrates](http://www.cra.gc.ca/interestrates).

## What's new in publications

The following is a list of new or revised excise and GST/HST forms and publications.

### GST/HST forms

GST20	<i>Election for GST/HST Reporting Period</i>
GST20-1	<i>Notice of Revocation of an Election for GST/HST Reporting Period by a Listed Financial Institution</i>
GST70	<i>Election or Revocation of an Election to Change a GST/HST Fiscal Year</i>
GST523-1	<i>Non-profit Organizations - Government Funding</i>
GST524	<i>GST/HST New Residential Rental Property Rebate Application</i>
GST489	<i>Return for Self-Assessment of the Provincial Part of Harmonized Sales Tax (HST)</i>
RC4615	<i>Election to Not Account for GST/HST on Actual Taxable Supplies and Notice of Revocation</i>
RC7220	<i>Election for GST/HST and QST Reporting Period for a Selected Listed Financial Institution</i>
RC7220-1	<i>Notice of Revocation of an Election for GST/HST and QST Reporting Period by a Selected Listed Financial Institution</i>

---

RC7270	<i>RC7270, Election or Revocation of an Election to Change a GST/HST and QST Fiscal Year for a Selected Listed Financial Institution</i>
--------	--

### **GST/HST guides**

RC4365	<i>First Nations Goods and Services Tax (FNGST)</i>
RC4419	<i>Financial Institution GST/HST Annual Information Return</i>

### **GST/HST info sheets**

GI-134	<i>Insurance - Appraisals of Damage Caused to Property (revised)</i>
GI-166	<i>Application of the GST/HST to Home Care Services</i>

### **Excise duty forms**

E60	<i>Tobacco Products Export Form</i>
E681	<i>Excise Act 2001 Refund Claim on Exported Tobacco Products</i>
L63	<i>Licence and Registration Application Excise Act, 2001</i>

### **Excise duty notices**

EDN34	<i>Notice to all Tobacco Manufacturers – Prescribed Brands of Tobacco Products</i>
-------	--

### **Excise duty memoranda**

EDM3-1-2	<i>Licensed Users (revised)</i>
EDM8-1-1	<i>Excise Warehouses (revised)</i>
EDM8-1-2	<i>Special Excise Warehouses (revised)</i>
EDM10-1-8	<i>Completing an Excise Duty Return – Tobacco Licensee (revised)</i>

### **Excise taxes and special levies memoranda**

X6-1	<i>Books and Records (revised)</i>
X6-3	<i>Objections and Appeals (revised)</i>

### **Softwood lumber products export charge forms**

B253	<i>Softwood Lumber Products Export Charge – Registration Form</i>
B253-1	<i>Softwood Lumber Products Export Charge – Independent Remanufacturer Registration Supplement</i>
B253-2	<i>Softwood Lumber Products Export Charge - Registration Supplement - Multiple Regions or Mills</i>
B278	<i>Softwood Lumber Products Export Charge –Application for Refund</i>
B278-1	<i>Softwood Lumber Products Export Charge -- Supplementary Information - Third Country Adjustment</i>
B279	<i>Softwood Lumber Products Surge Charge Return</i>

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA website at [www.cra.gc.ca/gsthsttech](http://www.cra.gc.ca/gsthsttech), at [www.cra.gc.ca/etsl](http://www.cra.gc.ca/etsl), and at [www.cra.gc.ca/exciseduty](http://www.cra.gc.ca/exciseduty).

To receive email notification as soon as a document is published on the CRA website, go to the [electronic mailing lists](http://www.cra.gc.ca/lists) page at [www.cra.gc.ca/lists](http://www.cra.gc.ca/lists) and subscribe to the RSS feed for all new CRA publications and forms, or subscribe to any number of mailing lists for different types of publications.

## Enquiries

For online access to your GST/HST, softwood lumber products export charge, air travellers security charge, excise tax and duty accounts, (such as viewing up-to-date account balances and transactions, transferring payments, and more) go to:

- [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative or employee; or
- [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), if you are the business owner.

### For technical help while using our online services:

- business accounts, call 1-877-322-7849
- teletypewriter users, call 1-888-768-0951
- calls outside of Canada and the United States, call collect 1-613-940-8528

Please have the screen number (bottom right); and if applicable, the error number and message received on hand when calling.

For specific account-related enquiries, use the online "Enquiries service" on My Business Account. Select the "Submit an enquiry" option to send us your question and receive a response electronically.

For general information and to make enquiries regarding your account (except for softwood lumber products export charge accounts), call Business Enquiries at 1-800-959-5525.

For enquiries regarding your softwood lumber products export charge account, call 1-800-935-0313.

To make enquiries regarding the status of specific GST/HST domestic rebate claims, call Business Enquiries at 1-800-959-5525.

For GST/HST technical enquiries call GST/HST Rulings at 1-800-959-8287.

### Forms and publications

To access forms and publications online go to [www.cra.gc.ca/forms](http://www.cra.gc.ca/forms).

To order forms and publications by telephone call 1-800-959-5525.

### Are you a GST/HST registrant located in Quebec?

To make an enquiry or obtain information on the GST/HST, contact Revenu Québec at 1-800-567-4692 or visit their website at [www.revenuquebec.ca](http://www.revenuquebec.ca).

### Are you a selected listed financial institution (including one located in Quebec)?

For GST/HST account-related enquiries or for registration for a CRA business number, call Business Enquiries at 1-800-959-5525. For GST/HST technical enquiries, call GST/HST Rulings at 1-855-666-5166.

For QST account-related enquiries for reporting periods ending on or after January 1, 2013 or for registration for a CRA business number effective on or after January 1, 2013, call Business Enquiries at 1-800-959-5525. For technical enquiries related to the amended QST, call GST/HST Rulings at 1-855-666-5166.

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), First Nations goods and services tax (FNGST) and First Nations tax (FNT), softwood lumber products export charge, air travellers security charge (ATSC) as well as excise taxes and duties. If you would like to receive a link to each new edition of the *Excise and GST/HST News* as it is published, [subscribe to the electronic mailing list](#).

This publication is provided for information purposes only and does not replace the law, either enacted or proposed. Please note that any commentary in this newsletter regarding proposed measures should not be taken as a statement by the CRA that such measures will in fact be enacted into the law in their current form. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, ON K1A 0L5.











